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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2480

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EAST EUROPE REPORT

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CEMA PARTNERS PLAN MORE COOPERATION IN ENERGY

East Berlin AUSSENWIRTSCHAFT in German Vol 11 No 42, 12 Oct 83 p 1

/Unsigned article: "CEMA Countries--Long-term Multilateral Plans"/

/Text/ The program for the coordination of economic plans for the years 1986/90, which was confirmed by the 36th CEMA meeting (1982), includes an index of problems which are to be coordinated on a multilateral basis. The index was developed by the CEMA countries and by CEMA organs. Problems of primary interest are those which must be solved by the realization of long-term program goals based on multilateral cooperation.

In the electrical power economy sector the European CEMA countries intend to prepare a concept document by 1984, a general plan by 1986, and a general agreement for the planned capacity development of the combined power systems by the year 2000. This is an extension and a considerable expansion of the 1977 general agreement, according to which, with technical support from the USSR, powerful atomic power plants were, or are yet, to be constructed in the European CEMA countries. Also in this connection further development and intensification of the balanced production of specialized equipment for nuclear power plant construction are under way to cover the demand for the realization of the nuclear energy program, including WWER-1000 reactors. An evaluation and reports on experiences gained in the realization of the general agreement made in 1979 for this purpose, are on the 1984 agenda. By 1986 a program of cooperation till 2000 should be completed, on the basis of which a corresponding general agreement will be prepared.

Also planned is the cooperation of interested countries in research and development and construction of power plants and installations for development of industrial steam and for supply of heat based on nuclear power. An agreement on this is to be prepared by 1985 which will include specialization and cooperation in production, and mutual deliveries of equipment. Calculations have shown that expenditures for construction of nuclear power plants for heat generation can be amortized in 5 to 6 years, despite the initially high construction costs.

After conclusion of the technical-economic analysis of the coking coal deposits of Tawan-Tolgoja and of the copper deposits in the South-Gobi region of the Mongolian Peoples Republic in 1984, and after determination of interest of the CEMA countries, multilateral cooperation for utilization of these resources will be organized.

Stepwise release of the "fuel" mineral oil by natural gas is considered an important direction in the restructuring of the fuel-energy systems of the CEMA countries. The index of problems to be coordinated also contains proposals for cooperation of countries interested in the construction of natural gas pipelines in the USSR up to the western border, so that natural gas deliveries can be made to agreement partners corresponding to their contributions to the construction of each line. Scientific-technical cooperation is expected to concentrate on development and use of modern technology for construction and operation of pipelines and of high efficiency installations for gas utilization. At the same time economic use of crude oil and its decomposition are of importance, and cracking and reforming of oil by means of various catalyzers are being applied on a broader basis. For this reason possibilities for development of systems for catalyzer construction for cracking in the USSR should be analyzed by combined efforts of interested countries. This work is proceeding in harmony with the general agreement of 1980, which provides for the improvement of existing, and the development of new technological processes and equipments for crude oil decomposition. Similar activities are also being carried out with respect to catalyzer systems for the chemical industry.

In the ferrous metallurgy sector, preparation of the general agreement and of bilateral agreements will be concluded by combined efforts of interested countries regarding the construction of the mining and enrichment combinat Kriwoi Rog. At the same time a start will be made on construction of the third development phase of the mining and enrichment complex Michailowskoje for production of raw materials containing iron, of plants for the mining and enrichment of manganese ore in the USSR, and in the expansion of manganese mining in the People's Republic of Bulgaria.

In the nonferrous metallurgy sector during 1983/84 discussion centers around construction of an alumina aluminum complex in the USSR by joint efforts of interested countries with an annual capacity of 500,000 to 550,000 tons and also a proposal by the Socialist Republic of Viet Nam for development of production based on the bauxite deposits in the south of the country.

Also considered will be cooperation with regard to the development of phosphorite deposits and the installation of processing capacity for the production of phosphorous fertilizers, yellow phosphorous, feed phosphates and other products in the Mongolian People's Republic. Similar considerations cover development of the phosphorous deposits in the Socialist Republic of Viet Nam.

In the chemical industry special attention is focused on the realization of the general agreement of 1979 on the cooperation in the production of energy-intensive and less energy-intensive products. It is planned to construct production capacity for methanol and methanol products in the USSR through joint efforts of interested countries, utilizing the gas deposits in the Tjuman region. Consideration is also given to cooperation in developing production capacity for selected plastic materials and for materials used in electrical and electronics technology, light industry, food industry, and for fertilizer and plant protective agent industries. Under discussion are also future cooperation in joint construction of a wood pulp and paper combine at the Jenissei river with an annual capacity of 370,000 tons of newsprint and a second development phase of the wood pulp combine of Ust-Ilim.

The index of problems to be further coordinated contains the following proposals for cooperation:

--in agriculture and food industry

--in the transport industry

--in the development and utilization of energy and material conserving methods and technology

--in providing users with selected types and qualities of ferrous metal goods

--in development and utilization of modern technologies for ore enrichment as well as

--for the specialization and cooperation in development and production of products for machine construction, radio and electronics industries.

7994

CSO: 2300/67

ECONOMIC SIGNIFICANCE OF COUNTRY'S DANUBIAN PORTS

Varna KORABOSTROENE-KORABOPLAVANE in Bulgarian No 7, 8, 1983

[Articles by Vasil Doykov: "Bulgarian Danubian Ports"; third and fourth installments of series on this subject; for previous installments see JPRS 83555 of 26 May 1983]

[No 7, 1983 pp 240-241]

[Text] Svishtov

Among the Bulgarian Danubian ports Svishtov ranks third in importance after Ruse and Lom and before the larger Danubian cities of Vidin and Silistra. The city is located on the right bank of the Danube opposite the Romanian port of Zimnicea, 554 km from the mouth of the river and 2295 km from its sources. On this bank the great European river reaches its southernmost point. From here is the shortest distance to the passes of the Balkan Mountains that lead to the southern parts of Bulgaria and to the coast of the Aegean Sea.

Svishtov is situated on three levels, on the slopes of hills, of which the elevation of Balasha (225 m) is the greatest. The port is located on the lowest flood-plain bench. Other than by a circuitous route the ascent from the Danube to the city is made by footbridge or a long flight of stairs. Svishtov is the successor of the Roman city of Novae, which grew up at the site of an old Thracian settlement. Remains of Novae have been discovered in the locality of Stuklen near the monuments east of the city where the Russians crossed the Danube during the War of Liberation. It dates from the time of the Emperor Claudius (first century). It is mentioned by Procopius of Caesarea and by Theophylact Simocattes. On the hill above the port--the Citadel, there are remains of another Roman settlement. It has been dated from the second to the fourth century and was subordinated to Novae.

Within the confines of the Bulgarian state a settlement appeared by the name of Svishtov, for the derivation of which there are many explanations and versions: from the word "svesht" [candle], from the fires lit by night on the Citadel as a landmark for ships and boats, from Latin and Greek words of obscure meaning, from the name of a former inhabitant of the city of Svist'o (Svisht'o), from the name of the ruler of the fortress--the ataman Svishtov (according to the Turkish traveler Hadji Kalfa, a Wallachian chieftain in the

17th century), etc. A settlement by the name of Sistovo appears in a 15th century register of cities and villages in the Nikopol sanjak. The city is mentioned by the chronicler Leonclavius and appears on Fra Mauro's map of 1459 and in the picturesque descriptions of the Turkish travelers Hadji Kalfa and Evliya Celebi, where it is called Sistovo. It is encountered with similar names on many maps of the 17th and 18th centuries: Suistevo (1688 and 1689), Suistevo (1692), Sistovo (1704), Zisto (1730), Soistovo (1744 and 1789).

After a long period of subordination to Nikopol, Svishtov gradually rose to eminence as an important port and at the end of the 18th century was a trade center of the Danubian portion of the empire. A route leading to it across Wallachia was called the "Svishtov route" in Romanian documents. For Austro-Hungarian steamships Svishtov became one of the main ports for commercial traffic, embracing a large part of Northern Bulgaria, Macedonia and Thrace. The name of the present-day hamlet of Veleshana is reminiscent of the time when here there were shops and cellars of merchants from the city of Veles and from the Vardar valley. To Svishtov came caravans of wagons bringing grain, furs, vegetable oils, honey, wax, attar of roses, wool, cotton, linen, silk, silk-worm eggs, etc., which were transhipped to Braila, Galati, Constantinople or to Central Europe. Of great importance for commerce were the factory-made goods, groceries and textiles imported from Austria, Russia, Romania.

During the period from 1850-1860 there were about 150 Danubian sailing boats with a capacity of 120,000 tons. Some of these were the property of Svishtov shipowners. The merchant Nikola Tsv. Stanchev was the main stockholder in the Danubian Steamship Company, founded in 1867, which bought from Austro-Hungary the steamship "Nachalo" [Beginning] and three grain-transport barges. Halim Aga of Oryakhovo and the Greek merchant Zarifi of Constantinople invested capital in the company.* After the first steamship company--"Idariye i Nahriye" [River Administration], founded in Ruschuk in 1866, the Svishtov company appeared, in which for the first time there was Bulgarian participation. It did not succeed in becoming established, however, due to the lack of experience and strong foreign competition.

In 1865 Dr Ivan Bogorov wrote the following: "Svishtov is the most commercial place of the Danubian cities. . . Down the river are the shops, a depot of salt and of goods coming from Rumelians across the Balkan Range. The commodity mainly traded at this pier is salt. Here a merchant can very easily make a living if he has a cellar and sells only salt. A few people also collect grain, i.e., deal in grain. A second source of profit is the commission trade, which has enriched and is enriching many." Georgi Rakovski also emphasizes, "Svishtov, because of its location, is a good commercial city on the banks of the Danube and because of this its inhabitants developed commercialism even longer ago." Felix Kanitz wrote of the city, "Svishtov has long had the reputation of a European city with a European market."

In Svishtov where trades, viticulture, animal husbandry, sericulture, etc., vigorously developed, there were 45 commercial firms trading with Veles, Okhrid,

*The newspaper MAKEDONIYA [Macedonia] (21 December 1868), "Our Trade."

Seres, Melnik, Razlog and Bryansko, whence came rice, wool, furs, cotton, tobacco, anise, olives, olive oil, tar and Samokov iron. In 1869 there were 957 shops and 720 warehouses in Svishtov. In 1870 the port and many of the shops burned down due to a conflagration, but soon thereafter 260 new shops were built. At this time Svishtov outranked many of our Danubian ports in trade: thus, for example, in 1877 through the Ruse port 5,556,600 kg of goods were imported and 676,000 kg exported, but through the Svishtov port 2,224,189 kg were imported and 836,871 kg exported.

During the period of the National Revival Svishtov was a lively city. In 1815 Emanuil Vaskidovich opened in the city the first secular school, for which in 1812 Filip Sakelarovich, a merchant of Braila, had made a donation of 19,000 forints. The first commercial secondary school was opened in 1873 and was closed by the Turks the following year. In 1882 the merchant Dimitur Khadzhivasiliev gave 240,000 gold leva to start the school again, and in 1884 the school building was constructed according to the plan of the Austrian architect Paul Brank.

At the end of June 1877 Russian forces, commanded by General Dragomirov, crossed the Danube over two pontoon bridges east of Svishtov where they were least expected. The reception of the Russian liberators in the first city that they liberated remains memorable. After the liberation, Svishtov for a certain time was an okrug center. Of the period from the end of the past century and the beginning of the present one the Bulgarian journalist Dimo Kazasov writes, "In 1900 the Turnovo-Gorna Oryakhovitsa-Ruse railroad line diverted imports and exports to the great city (Ruse). The port was deserted, the famous cellars closed, the rich commercial houses withered, the people were care-worn."

In 1904 a school and auditorium were built with 200,000 gold leva given by the merchant D. Avramov. In 1936, again with the help of a donation (50 million gold leva from the merchant D. Tsenov), a higher school of commerce was opened.

Although in 1909 the Levski-Svishtov railroad line was built, the importance of Svishtov as a commercial and port city began to decline. In comparison with 1894, imports and exports in 1939 were halved--from 33,748 to 17,114 tons and from 52,002 to 20,267 tons, respectively.

The building of the Svishtov port, including the construction of stone quay walls, railroad tracks, grain elevators, warehouses, port administration buildings, etc., began during the years of World War I. It was interrupted after the war, to be resumed in 1927-1928. The Svishtov port ranks second after Ruse in the length of its quay wall. In 1945 rapid mechanization of the port began; new cranes were delivered and new large warehouse space was built. The quay wall was lengthened and new ship berths were opened. In 1967-1968 new cranes and machinery for mechanization of the service area were procured.

The data for 1980, published in the "Statisticheskiya Ezhegodnik na Dunavskata Komisiya" [Statistical Yearbook of the Danubian Commission], indicate that the Svishtov port ranks 10th among the great Danubian ports before Regensburg, Cherna Voda, Braila, Gyurgyu, Dunaujvaros, Bratislava, Belgrade, Vienna, etc.

Of the cargoes handled, construction materials from the Danube River account for 69.4 percent, solid fuels for 14.21 percent, iron ore for 5.87 percent and metals for 5.34 percent.

Today Svishtov is a developed industrial city. The largest enterprise is the "Svilozha" Economic Chemical Combine with plants for cellulose, synthetic fibers and rayon, with a repair shop, thermoelectric power plant, treatment plant, railroad station and factory port on the Danube River (4 km west of the Svishtov port). About 7000 workers are employed in the combine. In the city there are also a plant for steel-concrete products, a canning combine, a bakery, etc.

The city of Svishtov is the birthplace of the eminent writer Aleko Konstantinov and of the outstanding Bulgarians Dragan Tsankov, Grigor Nachevich, Nikolay Pavlovich, Dimitur Tsenov, Aleksandur Bozhinov, et al.

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[No 8, 1983 pp 276-277]

[Text] Ruse

Ancient geography portrays the predecessor of Ruse--Pristia (Sexaginta Prista, Pristopolis, Prista) as fortress and port, as headquarters of the Roman fleet. The name Pristia appears on the Roman route chart--Tabula (Poytingeriana), compilation of which began in the first century, during the time of the Emperor Octavianus Augustus in Rome. The imperial counselor Marcus Agrippa was charged with the compilation of the route sketches (itineraries). The portrayal comprises 12 parchment panels 6.75 m long and 42 cm wide. The map, preserved in the Kalmar Monastery (province of Skön, Southern Sweden), is regarded as a copy or modification of Agrippa's sketches and is now to be found in the Vienna

Library. Of greatest interest to us is the map panel on which are portrayed the fortresses of the fortified Danubian border system--the fortress of Pristis figures there.

From Roman inscriptions and mileposts found in Ruse the conclusion has been drawn that Sexaginta Pristis sprang up in the first century during the time of the Emperor Vespasian. The name Sexaginta Pristis means literally "60 ships."

After the fall of Prista (it occurs thus in later sources) around the sixth or seventh century, within the confines of the Bulgarian state there sprang up the Bulgarian city of Cherven about 30 km south of the Danube River. Near the ruins of Prista there arose a settlement denoted by the name of Yurkova in the chronicles of Ahmet Nisari and other travelers' accounts. The Bruges guide-book shows a city of Rosi along with the city of Yorgo (Gyurgyu). The Ottoman register of 1431 lists in the sanjak of Negoboli (Nikopol) the cities of Djernovi (Cherven), Boruyka Yer Yorgögi and Rusi. The same name Rusi also occurs among the fortresses mentioned in the 1503 peace treaty between Turkey and Hungary.

Siméon Lekhotai, Armenian bishop of Lvov, who visited the city in 1524, wrote about the port with sailing boats, about the strong garrison that guarded the environs against the incursions of the Wallachians and about the predominantly Christian population, as well as the old monasteries to be found at two days' journey from the city.

After the Wallachian voyvode Michael Vituzul took Rusi in 1594 and later destroyed it by fire, for several years the city did not appear on the geographic maps published during that time. Beginning in 1603, it appeared again, but under an altered name--Ruschuk. A sultan's firman of the same year appointed Beh Rami Pasha to command a flotilla ranging from the mouth of the Danube to the Budin (Vidin) Fortress with headquarters and a ships' wintering place in Ruschuk. Ruschuk's fleet functions are also corroborated by the kadi register for the year 1667.

In 1691 the Italian engineer and scientist in the Austrian service, Count Luigi Marsigli, was in Ruschuk. His six-volume geography of the Danube, printed in Brussels in 1774, notes, *inter alia*, "Instead of traveling down river and by sea all the way to Constantinople, one usually lands now at Rossig castle to continue the journey overland."

The Danube River acquired ever greater significance for the Turkish Empire both as a result of the conquest of Hungary and the Vienna campaigns and also, later, as a result of the intensification of commercial relations between Turkey and Austro-Hungary. The Danube route was regarded as much cheaper and safer than the poor, bandit-infested overland roads. The following Danubian craft were in use during this time: (dombar), launch, raft, (chernik), row-boat, sailing boat (pine) etc. Certain port fees for merchant ships like (nasadie) and (nagerie) were borrowed from the Hungarians. Also the following fees were collected: tolls [resmi], passage [ubur], (chehut) etc. Shipbuilding began to develop, too. Data on this are given by Emanuel von Rösler, Austro-Hungarian consul in Ruse from 1848 to 1857. From his reports, preserved

In the State Archives in Vienna, we learn that in Ruse there were repair facilities for large sailing vessels and boats like the facility in the city of Tulcha. The craftsmen were called "vapordzhii" [steamship repairmen]. Small sailing boats were repaired in other shops.

After 1830 ships of the First Imperial Privileged Navigation Company (DDSG [Donau-Dampf-Schiffahrts-Gesellschaft; Danube Steam Navigation Company]) began to stop at the Ruschuk port. The Turkish government set up special offices, inspectors for commercial matters and a general superintendent for Danubian customs. The consulates of a number of countries were established in the vilayet city of Ruschuk. At the initiative of the vali Midhat Pasha, "Idariye i Nahriye" [River Administration] was founded in Ruschuk, center of Tuna vilayet (a Danubian province including the lands from Vidin, Nish and Sofia to Kyustendzha and Tulcha). The steamships "Nish," "Separe," "Sofia" and "Midhat" were purchased. Later the ships "Vidin," "Mehmet Arif," "Azizie," "Nakulu" and 15 barges were procured. A large building was constructed in Ruschuk for the River Administration (after 1880 a military arsenal, after 1908 a cabinet-making school). The Bulgarians Nikola Sakelarov and Mikhail Chokoev were employed there. According to the newspaper TURTSIYA [Turkey] of 3 June 1870, steps were taken in Ruschuk for the construction of an artificial basin (ilman) at the debouchment of the Lom River for the wintering of 100 ships, and of "chantiers" (warehouse facilities) for commodities. This initiative of the vali went unimplemented.

After the liberation of Bulgaria from the Ottoman yoke, Russia at the initiative of Prince Dondukov-Korsakov gave the young Bulgarian state several ships and tools and equipment for a ship repair facility. These ships marked the beginnings of Bulgarian national shipping. In 1883 the fleet was augmented by two torpedo boats and the ship "Golubchik" (it participated in the 1887 uprising of Ruse Russophile officers). The high-speed yacht "Alexander I" was procured from France. In 1881 a navy school for machinists and stokers was established here and transferred in 1905 to Varna. The first scientific and technical society in Bulgaria was inaugurated in Ruse in May 1885 under the leadership of Engineer P. D. Kuzminski. The museum collection with which the start of the Naval Museum in Varna was later made was inaugurated in Ruse. These initiatives were pioneered by Russian naval officers and petty officers on Bulgarian service in the Danube flotilla and maritime unit headquartered in Ruse. Thus was Bulgaria's national seamanship brought into being in the city of Ruse after the liberation.

Again in Ruse the beginnings of Bulgarian national shipbuilding were made--with the Ruse ship repair facility where the first iron nonpowered ship, Boat No. 1 with a displacement of 60 tons, was built.

In 1887 the ships of the Danube flotilla were given Bulgarian names: "Simeon Veliki" [Symeon the Great], "Krum Strashni" [Krum the Dread], "Asen," "Voyvoda" [Voyvode], "Stefan Karadzha," "Lyuben Karavelov," "Khristo Botev," "Vasil Levski," "Rakovski."

A number of favorable conditions contributed to Ruse's becoming the greatest Bulgarian river-port, commercial, banking and manufacturing center after the

liberation. The guidebook for the Danube waterway, published in Budapest at the beginning of the century, says, "Ruse has about 38,000 inhabitants and after Sofia is the most important city in Bulgaria, while commercially and industrially it surpasses the capital itself. It is built on high ground, has a beautiful port, fine theater, library, casino and, in addition, many beautiful edifices built after Western taste." And, in fact, Ruse's center, built in the last two decades of the past century, is an illustration of the architectural wave sweeping over the cities of Western Europe at that time. Over 100 edifices of the Ruse architectural legacy have today been declared cultural monuments.

Today Ruse is the fourth largest city in Bulgaria and one of the country's largest industrial centers. It has more than 60 combines, plants and factories, the Heavy Machine-Building Economic Combine, the Agricultural Machinery Combine, the Shipbuilding and Ship-Repair Combine, the Locomotive and Railroad Car Plant, a metal-working plant, plants for feed and milling machinery, for dielectric instruments, for metal-cutting machines, for ceramic products, the Paint and Varnish Chemical Combine and many other enterprises of heavy, light and the food industry. Territorially, the industry of Ruse is concentrated in four districts with developed transportation connections. There are railroad lines in three directions: to Varna (the oldest line in Bulgaria), and to Gorna Oryakhovitsa with a connection to Sofia and to Bucharest which crosses Friendship Bridge. It is the biggest Danube bridge for rail and motor traffic, built in 1952-1954.

In addition, industrial Ruse is also a great cultural and educational center with an opera-house, legitimate theater and puppet-show, with many educational institutions, including the Angel Kunchev Higher School of Technology and the Institute for Kindergarten Mistresses, with scientific institutes, an art gallery and television center, many museums and monuments. In 1978 the Pantheon and Mausoleum of many notable Bulgarian sons who gave their lives for Bulgaria's freedom was opened.

To be continued in Issue No. 9.

6474

CSO: 2200/17

ECONOMIC SIGNIFICANCE OF COUNTRY'S DANUBIAN PORTS

Varna KORABOSTROENE-KORABOPLAVANE in Bulgarian No 9, 1983 pp 312-313

[Article by Vasil Doykov: "Bulgarian Danubian Ports"; continued from issue No 8]

[Text] Ruse (continued from issue No. 8)

In 1865-1866 when the first railroad line (the Ruschuk-Varna line) was under construction in Bulgarian lands, the first small sector of the Ruschuk quay wall was built, too. The builders were Italian master stonemasons.

After the liberation of Bulgaria from the Ottoman yoke the first attempts to get the Danubian ports in order without special expenditures were made by Capt Lt A. Ye. Konkeyevich, who held the post of chief of the Danubian flotilla and maritime unit up to 1 August 1883. Turkish ships sunk during the War of Liberation and raised from the bottom of the Danube were used for pontoons (floating wharves). Originally, it was decided to entrust the preparation of a plan for the Ruse port to engineer Franz Gruenanger, but the task was assigned to Czech engineer Plivnicka who, on the basis of data brought from Petersburg by the new chief of the Danubian flotilla Z. P. Rozhdestvenskiy, worked out a plan for the port and covered slipways costing altogether 500,000 leva. Due to financial difficulties resulting from the war with Serbia the plan was not implemented. In the meantime, Russia gave Bulgaria 10 pontoons for summer wharves, which it was decided to place in Ruse, Nikopol and Archar.

In 1886 the new commander of the Danubian flotilla and maritime unit Esper Serebryakov (Blank) suggested to the Ruse Okrug superintendent that stones be taken from the former Turkish shoring of the Danube River bank and used to build the quay walls at the debouchment of the Rusenaki Lom River. A start on demolishing the shoring and hauling away the stones was actually made, but this undertaking, too, was interrupted on account of financial difficulties.

The next chief of the Danubian flotilla, Panayot Angelov, though he was in this post for 12 years, did not implement a single project and Bulgaria went without even summer river wharves for military and civil shipping. Thus up to 1902 the Ruse "port" used old primitive equipment, a small quay wall, two pontoons and a pier for Austrian cargo-and-passenger--and Hungarian, Romanian and Russian--ships.

The sandbank that appeared opposite the debouchment of the Rusenski Lom River in 1899-1902 was afforested and shored up by order of the then commander of the Danubian flotilla Matey Stoykov. The resulting new piece of insular dryland was called Matey Island. Thus later emerged the deepened mouth of the Rusenski Lom River, now known by the name of Limana. Two decades later it became the wintering place of ships that hitherto had been taken to winter at the island of Chiftilar (Bliznatsi) 12 km east of Vidin or to foreign wintering places.

During the period from 1904 to 1918 the entrepreneur Georgi Genov was entrusted with a contract to build the quay wall in the stretch from Papa (Maloyan's) mill (the old mouth of the Rusenski Lom River which had shifted eastwards) to the supporting wall of the old railroad station (now the National Museum of Transportation). For the needs of this construction the tugboat "Rositsa" and several seagoing barges to transport the stone construction materials came from Varna. At that time the remains of the Roman and Turkish fortresses were pulled down. In 1910 the state canceled the contract with G. Genov and confiscated the inventory property of the construction project. The Ruse port administration finished up the construction work by around the end of 1918.

In 1915-1916 the Port Administration built the port wall of the Sugar Refinery, which was Belgian property. The refinery had its own fleet to transport beets-- eight barges, the tugboat ("Fernan Loyman"), the motor boats ("Surya") and "Fox."

In 1917-1920 Bogdan Bozhilov was commissioned to construct a covered slipway for the repair of ships. The foundation of this covered slipway was reinforced with large stone blocks brought from the Shaytanluk (khitrino) railroad station.

Up until 1918 the Port Administration was housed in a building with the custom-house (now occupied by a transportation hospital and by the transportation militia). In 1924 the Port Administration purchased from Braila the ship "Sandra" (150 hp), which, renamed the "Tsibur," was used to convey stones from the quarries between Pirgovo and Dikilitash (Stulnishte) in order to form walls around Limana. Then the dredge "Vida" (sunk in front of Limana and raised again in 1927) was purchased. The contractor Hermann Dontz supervised the construction of the quay from the outer wall of Limana to the present debouchment of the Rusenski Lom River.

In 1923 the Bulgarian Government ordered three ships in Leghorn (Italy), and in 1925 the ships "Iskur" and "Vit" arrived in Ruse via Sulina, while the "Osum" remained for a certain time in Varna. The ships were used on the Danube in the construction of ports and in the transporting of blue vitriol and salt from Galati. In 1926 the "Iskur" received its first class (No. 47) and became our first river ship to receive international classification. This enabled it to make a number of runs between Ruse and Varna via the Danube delta.

On 5 November and 20 December 1934 the "Iskur" and the "Vit" arrived at the Ruse shipyard to be rebuilt as passenger ships under the supervision of Engineer Todor Delistoyanov. Later the "Osum" was rebuilt, too. With these ships was inaugurated the State RPK [Rechno Putnichesko Koraboplavane; River Passenger Shipping] as a subordinate unit of Bulgarian State Railways. Effective as of

31 May 1940 the steamship company "Bulgarian River Navigation," headquartered in Ruse, was created as a juridically independent enterprise.

In the period from 1933 to 1938 a vertical quay wall was built inside Limana, and in 1939-1940 a nest and approach for the ferryboat "Sofia," which was built in Walsum on the Rhine (920 tons, for 16 20-ton railroad cars) and was in operation from 1940 to 1954. In the same year four modern tugboats (the "Ruse," "Vidin," "Lom" and "Svishtov"), built in Regensburg, were purchased. In 1941 three first-class passenger ships were built in Budapest that were in service in our river shipping for four decades. These were the passenger ships "Georgi Dimitrov," "Dimitur Blagoev" and "Aleksandur Stamboliyski."

Ruse is the largest Bulgarian Danubian port in respect of imports and exports and in respect of cabotage and passenger shipping. It extends for 9 kilometers --from kilometer 497.8 (at the debouchment of the Rusenski Lom River) to kilometer 488.7 (Friendship Bridge). Included herein are Limana (wintering basin) where there are two covered slipways, the nest of the ferryboat "Sofia," the workshops of the Ivan Dimitrov Shipbuilding and Ship-Repair Combine, the floating ship-repair facility of Bulgarian River Navigation Administration, and cranes and warehouses of sections of the Ruse-West port. The pontoons and tender of passenger ships and of the river station are situated at kilometer 495.6. The pontoon for foreign ships is at the first footbridge. The quay wall continues to the old railroad station. The port of the Sugar Refinery is at kilometer 491.

The building of the Ruse-East port began at the end of 1967 on the flood-plain bench between the "Trud" [Labor] Plant and Friendship Bridge. It is fitted out with the most modern machinery--grab-bucket overhead traveling cranes, heavy-capacity hoists, belt conveyors. The basins of the port will be protected by a mole and a wall on the offshore island. Thus a reliable basin will be formed for the wintering of our increasing Danubian fleet. At this port there will be specialized unloading facilities for coal (for the "Ruse" thermoelectric power plant), coke, lumber, metals, inert materials of the Danubian dredging fleet, machinery, automobiles, tractors, containers, trailers, etc.

The Ruse port complex includes the ports at Ruse, Svishtov, Somovit, Silistra and Tutrakan.

In 1970 the Ruse port ranked seventh among all the Danubian ports in respect of freight turnover. In 1971 it was in third place after Reni and Izmail. From 1972 to 1980 it was in sixth place after Reni, Galati, Izmail, Budapest and Linz and ranked ahead of Komarno, Regensburg, Braila, Belgrade, Bratislava, etc. The greatest share of its freight structure is attributable to quarry materials (66.90 percent), with coal in second place (18.06 percent) metals (3.18 percent), special arrangements (2.50 percent), fresh fruits (1.81 percent), iron ores (1.35 percent) and grain (0.79 percent).

Being our largest Danubian city, Ruse is the headquarters of the Bulgarian River Navigation Administration; UPPD (Upravlenie za Poddurzhane i Prouchvane Plavatelniya Put na r. Dunav; Administration for Maintenance and Study of Danube River Fairway; the directorate of the Bulgarian-Soviet "Dunaytrans"

[Danube Transportation] Company; delegations of "Interlighter," of the Danubian steamship companies of the USSR, Hungary and Czechoslovakia, of Inflat, of the State Inspectorate for Navigation, of Transimpex and other enterprises with activities related to river transportation.

In respect of its river fleet Bulgaria ranks fifth among the Danubian countries before the FRG, Austria and Czechoslovakia. In 1983 it began to renovate its fleet with modern pushboats and catamarans of the International Motor Transportation Economic Trust.

In Ruse, whose life is governed to a great extent by its proximity to the great river, there are a Sailor's Center, Interklub [expansion unknown; possibly, Interservice Club], and the Ruse Port Yacht Club. Our river passenger shipping is carried on with high-speed ships of the type of the "Meteor," "Raketa" [Rocket] and "Vuzkhod" [Upsurge]. Starting this year, a Directorate for River Tourism "Interbalkanturist-Dunav" [Danube Interbalkan Tourist] has been opened which will run excursions on the Danube with the new Bulgarian passenger ships "Sofia" and "Ruse" on the Ruse-Belgrade-Budapest-Bratislava-Vienna-Passau line.

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CSO: 2200/22

CERTAIN FACILITIES, ACTIVITIES AT BURGAS HARBOR DESCRIBED

Varna KORABOSTROENE-KORABOPLAVANE in Bulgarian No 8, 1983 p 265

[Article by Khristo Minkov: "Eightieth Anniversary of Burgas Harbor"]

[Text] Burgas harbor--the largest and oldest enterprise in the city of Burgas--this year celebrates its 80th anniversary. May we cannot imagine this maritime city without the harbor--it is a vital part of it, a huge portal to the world not only for the region, but for the entire country. Through this portal pass about 47 percent of the cargoes of Bulgaria's entire foreign commerce. Through Burgas harbor our country makes commercial contacts with over 80 countries in various corners of the world. At its quays halt ships from the Soviet Union and from the states of the Near East, from distant Cuba and America, from Japan and Italy, from England and many other maritime countries.

Burgas harbor is visited mostly by Bulgarian and Soviet ships and this is quite easy to explain, for 75 percent of the cargoes that are handled here come from the Soviet Union or are being sent there. Through Burgas harbor passed the equipment for the following combines that have been built: Leonid Brezhnev Metallurgical Combine (Kremnikovtsi), V. I. Lenin Metallurgical Combine in Pernik, the chemical combines in Dimitrovgrad and Stara Zagora, the Petrochemical Combine near Burgas, etc. At the same time, around the clock in every season of the year trains and trucks bring to the harbor products of our industry and agriculture that are shipped to the Soviet Union and many other countries.

Every year the freight turnover of Burgas harbor increases. It is growing along with the increase in the might of our economy and with the more and more substantial recognition of socialist Bulgaria as an esteemed trade partner. The annually growing freight turnover necessitates continuous expansion, reconstruction and modernization of Burgas harbor. The harbor now has dozens of berths, hundreds of mechanical devices, many electrical cranes. It is an important link in the national transportation complex which is successfully performing the party and government functions assigned to it.

The tasks of universal intensification, assigned by the 12th Congress of the Bulgarian Communist Party, are being performed scientifically, creatively, consistently and effectively. Brigade organization of labor and brigade

profit-and-loss accounting have improved, the new-type brigades having been employed in the harbor for 4 years now. The new economic mechanism is being applied successfully. The attention and efforts of the leadership of the complex are now focused on the latest tasks stemming from the conference on quality, held in Varna in May 1983, and from the speech that Comrade Todor Zhivkov delivered there.

For the personnel employed in Burgas harbor today, there are no unfulfilled tasks. The heir of glorious generations of harbor workers, the harbor labor force is demonstrating by deed its loyalty to the cause of the Bulgarian Communist Party and its readiness to translate its every plan into reality. Proof of this is the great progress made by the labor force during the past 39 years of freedom, during which it has deservedly twice received the Order of the Red Banner of Labor and the Order of Georgi Dimitrov.

The harbor labor force also greeted the 80th anniversary with great labor successes. For 2 months it held the lead in fulfillment of the five-year plan. Three brigades have already fulfilled their plan for the first half of 1983. The labor force achieved fine results during the past 4 months of this year--the third year of the Eighth Five-Year Plan. The revenue plan was fulfilled 101.5 percent, the profits plan 108.4 percent, the plan for social productivity of labor 101.6 percent, the plan for net output 101.2 percent. Material expenditures were cut 0.4 percentage point. The greatest successes in the "80 shock days" of the anniversary competition were reported by the brigades of Aleksandur Yanev, Georgi Stamov, Kiryaza Dimitrov, Kostadin Ilchev, mechanization specialists Khristo Chomakov, Stoyan Pashov, Stanka Pencheva, Enina Stoeva, Dragiya Dobrev, et al. The ambition of the labor force is to fulfill the five-year plan in 4 and a half years, and of the dockers' brigades to shorten the five-year plan by 1 or 2 years. And they will succeed because labor for them is a duty and a responsibility.

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PROGRESS OF SHIPBUILDING INDUSTRY EXAMINED

Varna KORABOSTROENIE-KORABOPLAVANE in Bulgarian No 9, 1983 pp 295-297

[Article by Georgi Y. Boychev and Svetoslav Mikhov: "Shipbuilding Quality the Way to World Market"]

[Text] Bulgarian shipbuilding's active participation in the country's exports and its decisive role in developing and replacing our fleet with highly efficient ships ordain that it will be a dynamic subsector and strategic area of Bulgarian machine building.

The high requirements set for ship quality and reliability are foreordained not only by strict operational requirements but also by regulations for the protection of human life at sea and for guaranteeing the safety of the cargoes being carried. Moreover, competition in the shipbuilding market and the rapid development of the technology of transportation processes necessitate the constant improvement and modernization of ships.

The Bulgarian shipbuilding industry, thanks to its good material and technical base, available personnel potential and accumulated Soviet, foreign and Bulgarian experience, has the capacity to plan, build and offer in the international market competitive ships with good operating characteristics. A decisive share of the Shipbuilding State Economic Trust's export list is represented by the 25,000- and 38,000-ton bulk-cargo ships and the 400-container containership built at the Georgi Dimitrov Shipbuilding Combine in Varna, the 3000-ton fueler and the 2000- and 5000-ton tankers built at the Ivan Dimitrov Shipbuilding and Ship-Repair Combine in Ruse, the reinforced-concrete shops built at the Iliya Boyadzhiev Shipyard in Burgas, etc. The excellent qualities of these ships are seaworthiness, maneuverability, economy, easy operation, a high degree of automation and very good living conditions for crews.

The ships built in our country are efficient and hence in demand in the market. Important in this regard is the long-term study that has been made of the freight market and of the prospective needs of the principal customers. Constant improvement of designs makes it possible to offer shipowners ships with high technical characteristics.

Modern shipbuilding rapidly applies the latest achievements of scientific and technical progress not only in the area of ship specialties but also in naval

machine building, as well as in the organization of shipbuilding production itself. Serious concern is given to improving the quality of output produced and to increasing production efficiency. A high level of the ships produced cannot be achieved without raising the overall quality of the products and materials making up the package and without improving technological processes.

An important condition for maintaining the high quality of the output produced is multistage organization of technical and quality control in shipbuilding. Of decisive importance on this score are the skills and know-how of the control agencies of technical- and quality-control departments and the state of standardization and metrological backup of production and control. The control exercised by classification organizations and by the representatives of shipowner-customers who observe and check on construction and keep an eye on ship characteristics also contributes to high-quality shipbuilding.

In order to achieve competitiveness of the ships we produce, it is especially important that we provide designers and executants in good time with reliable information and models showing the quality level in the advanced countries so that world-class characteristics can be attained.

The system of output certification seriously affects elevation of the quality of the shipbuilding product. For more than 11 years Bulgarian shipbuilding has been certifying the Bulgarian ships and naval products it produces. The first document certifying a naval product of the Shipbuilding State Economic Trust was issued by the State Standardization Committee (now the Main Administration for Standardization under the State Committee for Science and Technical Progress) for a 125-ton automatic mooring winch. The symbol "K" certifies that the winch is in the highest category. A document of highest-category certification was awarded for the first time to a 38,000-ton bulk-cargo ship produced at the G. Dimitrov VK [Shipbuilding Combine] in accordance with documentation of the Shipbuilding Institute.

Thus far eight classes of ships and more than 70 types of naval products, machinery and ship's fittings have been certified. Of these, in addition to the 38,000-ton bulk-cargo ships, both the reinforced-concrete shops produced at the Iliya Boyadzhiev Shipyard in Burgas and the 3000-ton fuelers built at the Ivan Dimitrov KKK [korabostroitelnen i koraboremontnen kombinat; shipbuilding and ship-repair combine] in Ruse for the USSR have the highest-quality rating. Produced with the highest mark of quality, in addition to the 125-ton automatic mooring winch, are life jackets of type NIPKIK [Scientific Research, Planning and Design Institute for Shipbuilding] 8 and 16, and standard-series ship air distributors and AKAU [avtomatichnata korabna akumulatorna uredba; automatic ship battery installation] type 24/100.

A "First-Category" rating (average world level) has been awarded to most of the ship's fittings, boilers and heat exchangers, naval overhead cranes, life-buoys, luminescence lamps, Hall's anchors, etc.

One of the favorable aspects of certification activity is that before output is certified in one of three quality categories (and especially for "highest category"), a number of measures are taken that aim at raising technical level and

quality and that ensure a stable technological process. During the certification process a study is made of the quality indicators of the product, mechanism or ship to be evaluated and of related models produced in our country or by foreign firms. A basic condition is that certified products should be highly efficient and competitive and fully meet the claims of the principal customer.

Standardization documents must be formulated to regulate control of the planning, production and operation stages. High requirements are set for the quality of raw materials, supplies and intermediate products making up the package, for ship's fittings and for the means and methods of control. Similarly, an analysis is made of the spoilage and claims that occur so that they can be prevented in the future.

Certification in shipbuilding compels a reconsideration of the existing situation and decision-making regarding the modernization of products or the elimination of some of them from production. An important task is to increase the number of new and improved products in the ships newly under construction by updating outmoded standards or by formulating new ones with higher quality specifications.

In shipbuilding production, certification is an integrated dynamic system, the end goal of which is to ensure and maintain in the shipbuilding subsector the production of only output of high and exacting quality. During the past 2 years of the Eighth Five-Year Plan the Shipbuilding State Economic Trust achieved good results as regards quality and the technical level of produced output. A considerable portion of it (66.4 percent of total output produced) was awarded a state quality rating, with 26.2 percent getting the highest mark of "X" (above world standard).

To maintain a constant high quality level of the ships built in our country, the Shipbuilding Institute has formulated a number of guideline documents. A plant standard procedure and method of settling claims has been created; for 2 years a sectorial system of quality control has been functioning. A special unit, "Standards Control," concerns itself with the quality of technical documentation, while as regards the reliability of ship's machinery and of ships as a whole, a system has been set up to collect information on the life of mechanisms, machinery and ship's electric items.

Work is constantly under way to both intellectualize and automate engineering work. The automated planning of tubing has been introduced; calculations of hull strength and vibrations according to the theory of naval architecture have been automated. Technological documentation has been brought into conformity with the latest achievements and with the capabilities of the combines to apply the documentation creatively. To improve the organization of production and control, use is made of new technologies like preimpregnation and prepainting of panels and units, the industrial method of pipe trimming, modular method of installation, preassembly of main engine, etc.

Today the shipbuilding industry has modern testing plants and laboratories to prove the technical parameters of incoming raw materials, supplies and intermediate products, welded joints etc. The Stoyan Pavlov ZKM [Shipbuilding

Materials Plant] in Varna has fitted out stands to test the hatch covers produced under license from the French firm McGregor. The "Mayak" [Lighthouse] ZEM in Novi Pazar has fitted out a stand to demonstrate the functional parameters of rudder mechanisms--a new product. The G. Dimitrov Shipbuilding Combine in Varna has legitimized a roentgen and metrological laboratory and a combined electrical and radio testing plant which make it possible to control, adjust and test complex products and systems of ship's electric and radio equipment and automatics.

Shipbuilding is successfully implementing and shifting over to self-control in some of the production units. Good results along these lines have been achieved in the testing-and-delivery workshop of the G. Dimitrov Shipbuilding Combine in Varna and in some brigades of the P. Shiderov ZKO [expansion unknown; possibly, zavod za koraboozbavezhdane, ship outfitting plant] in Provadiya.

In preparation for the National Party Conference on Quality, questions relating to raising the quality of shipbuilding production at all levels must be updated. Therefore, raising shipbuilding's share of certified output is not a goal for its own sake. The output of the shipbuilding industry that is awarded a state quality rating must fully meet the directives of the Bulgarian Communist Party on cutting the costs of labor and materials, electric energy and fuels, and must bear witness worldwide to the merits of Bulgarian shipbuilding.

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STATE RAILWAYS RIDICULED FOR THEFT PREVENTION MEASURES

STURSHEL in Bulgarian 30 Sep 83 p 1

[Article by Razi Ranev, correspondent for STURSHEL: "Iron for Scrap"]

[Text] Our readers have probably heard about the more and more frequent thefts from the Bulgarian Railways freight trains. People steal cigarettes, they steal whiskey, fabrics, cement, they steal everything . . .

Our readers have hardly even heard that by preventing one kind of theft, another one takes place. And this is not accidental. An order issued by the Bulgarian State Railways Economic Trust, which was supposed to prevent the plundering of cars by their own employees, most unexpectedly had the opposite effect -- instead of railway workers, the car loaders began to steal, and they did not steal cigarettes or fabrics at all, they simply stole the most ordinary iron. For the simple reason that, according to the order mentioned above, the centers of all doors should be joined together with bar iron. No thinner than 6 millimeters and no shorter than 1/2 meter. And, something not entirely without significance, it should be twisted no less than five times. And since the car is supposed to be tied in four places, this means that there should be 2 meters of iron for each car.

There is hardly any need to explain that, during each unloading, the bar iron is cut off with shears in order to be replaced with a new 2-meter piece after the unloading. The authors of this order know this very well. Since we started with the language of numbers, let us continue with them!

If we admit that, at just one station, there are about 50 cars to be loaded each day, this means that 100 meters will be used. In 10 days 1,000 meters would be twisted, but since a year consists of 365 days, it is not difficult to calculate that 36,500 meters of iron would be turned into scrap, at just this one station I have mentioned. And as we know, cars are being loaded all over the country. Loading cars, as the saying goes, is as common as picking blackberries. And since their doors should be joined together with bar iron everywhere, it should not be surprising that one workshop in Kremikovitai works only for this purpose!

Even so! Suppose we are rich enough and we have nothing against turning iron into scrap, the difficulties still do not end here. In order to supply

themselves with the necessary iron, the enterprises which deal with processing cars have to plan it in the first place. It is quite possible that their orders will be approved for the next year. However, they do not have the iron available now. In order to comply with this stated order, they have to steal for the time being. And so: I would have a hard time trying to find out where they are stealing from at the different places. However, at the Burgas port, they steal directly from the heap. By the end of this year, there will be about 10,000 meters of bar iron stolen from the export shipments, and it would be hard to estimate what the amounts would be on a national scale.

There is one thing, however, that is absolutely certain. If the management of the Bulgarian State Railways would decide to go ahead and estimate the losses caused by stealing from the cars, it would have a chance to be convinced about the extent of the damage that the order in question has caused to society. It is true that the end does not always justify the means, but it is not really necessary to spend such means for this end.

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C20: 3200/23

SITUATION OF INVESTMENTS, ECONOMIC EQUILIBRIUM VIEWED

Budapest FIGYELO in Hungarian No 41, 13 Oct 83 pp 1, 4

[Summaries of papers presented at the plenary session of Info XIII, the congress of industrial statisticians held on 11 and 12 October, in Szekszard]

[Text] This year the Tolna Megye chapter of the Hungarian Economics Society hosted in Szekszard, on 11 and 12 October, the by now traditional itinerant congress of industrial statisticians, Info XIII.

We are publishing summaries of the papers to be presented at the plenary session.

Investment Cannot Be Reduced Further

Janos Hoos, state secretary of the National Planning Office, will present a paper entitled "Timely Questions of Investment Policy." The level of investment in 1983 will be close to the level that developed in the late 1960's, which is very low even if the reduction in investment will probably be less than what has been planned. Within investment it has been necessary to cut back particularly machinery import from capitalist countries.

The curtailment of investment, which has now been continuing for several years, raises the question as to whether the volume of investment is sufficient for the economy's future development. Although the rate of accumulation is not low even now by international comparisons, it does not seem adequate for the restoration of sustained economic equilibrium and for the realization of our long-range objectives.

Significant reserves for improving investment activity are as follows:

a. The investment projects started earlier and still in progress are tying down substantial resources. A good many already started investment projects can be listed whose starts it would have been more expedient to postpone, or which today we would not start at all. However, cancellation of the investment projects under construction would mean freezing or perhaps even permanently losing the capital already invested, and therefore our options in this respect are rather limited.

b. The flow of capital is exceptionally slow, whereas investment policy under the limited investment possibilities should concern itself not only with additions to the stock of capital, but also with the faster regrouping of existing capital and assets.

c. The enterprises' cost sensitivity is still low. As a result, the regrouping of surplus capital is not proceeding at all, or only very slowly. Efficient cost management necessitates more realistic valuation of direct labor (primarily of wage costs) and of embodied labor (primarily of capital costs).

d. As a result of the creation of assets, development funds have been formed at the enterprises. In spite of the economic conditions' extensive modification, some of the enterprises have not altered their earlier development concepts, and this too is a reason why the demand for investments is constantly greater than what the economy is able to afford. Therefore we subsequently have siphoned off, by various instruments and methods, the development resources formed at the enterprises. The results of this "rollback," however, have been smaller than expected.

e. Faster improvement of efficiency at the macroeconomic level is hampered also by macroeconomic management's inability to properly assert investment priorities.

f. Autarchy is still highly characteristic of the investment projects' realization. With few exceptions, we are solving the realization of investment projects almost exclusively with domestic contractors, which is hampering the contracting organizations' specialization. Within the entire investment process it is necessary to strengthen the favorable effects of international cooperation. In the elaboration of the development concepts as well as in their realization, the progressive trends in international development must be taken into consideration.

g. Despite the limited investment possibilities, there has not been any meaningful improvement of the situation in the "investment market," including construction work on the investment projects, technological installation, and the supply of machinery and equipment.

Even if the listed problems are solved, it will not be possible to drastically reduce in the future the volume and proportion of investment. That would jeopardize maintenance of the technological level, and hence also the future of the equilibrium processes. It is necessary to rethink anew the objectives and priorities of investment policy.

It is a fundamental task of structural policy to meaningfully assert the national economic priorities and to integrate the most important investment decisions with the planning decisions, so as to ensure that they are in harmony. In the interest of realizing the predominantly intersectoral investment priorities that serve the faster transformation of the meso- and microstructure, we must rely on the enterprises' active initiative and mobilize our resources for these priorities as profitability pressure increases. Which means that the government programs for the realization of preferential objectives are generally open programs that additional participants can join along the way. A more

important role is being assigned to competitive bidding for investment resources, to the assumption of burdens commensurate with the enterprises' incentives and ability to take risks.

Realization of our investment-policy objectives requires also the further development of our system of macroeconomic management, in a way that will accelerate the innovation process, make intensive development policy widespread, and significantly improve the efficiency of investments. Changes are needed in income regulation so that at the macroeconomic level the generated incomes will be basically in accord with the investment possibilities.

There is also need for instruments to control the business cycle. By flexibly adapting to the conditions, these instruments should be able to increase the present, exceptionally low, propensity to save or specifically to boost in some areas the incentive to invest. This probably can be solved primarily through the instruments of subsidization, credit and depreciation policies, and--last but not least--through monetary regulation of the propensity to save.

Regulation of Purchasing Power Must Be Improved

Peter Medgyessy, deputy minister of finance, will present a paper on the regulation of purchasing power. This is not a problem of recent origin. A consistently greater effective demand than the supply in the investment market was a recurring problem already in the 1970's. The following reflected this: the recurring cyclical upsurge of the investment process; and in the financial sphere the faster-than-planned rise of the prices of capital goods, forced savings in the investment funds due to inadequate supply and capacity shortages, and then--in the wake of the measures adopted to effect a slowdown--the freezing of the enterprises' purchasing power (by increasing the proportion of income that had to be allotted to the reserve fund).

There is a basic contradiction between the investment process' varying (multi-year) time interval stemming from the nature of the objectives that are being realized, on the one hand, and the annual approach that asserts itself in the creation of resources and in regulation, on the other hand. The medium-range plan takes into consideration the aggregate commitments for the investment projects that are in progress, and it then sets accordingly the general requirements regarding the development of the investment market's purchasing power, geared to the proportions of domestic spending. Under the normative system of income regulation, however, we have been unable up to now to suitably assert these efforts. Equilibrium considerations made inevitable first the regulators' modification linked to annual planning, and then also corrections during the year as the need for them arose. In this way regulation of the investment market's purchasing power changed in practice mostly into ex post regulation. The stresses that arose because of this then became new self-exciting starting points for the formation of purchasing power in the investment market. These elements must be changed radically to make macroeconomic regulation more successful, and acceptable also to the microeconomic sphere.

Another problem is that development resources originate also from incomes that are not commensurate with the real utility value appearing in the domestic market. A proportion of these incomes is offset by the loss resulting from the

worsening terms of trade, while the rest of these incomes is generated in the course of producing the additional export for the trade surplus needed to service our foreign debt and maintain our solvency. Up to now we have not succeeded in developing a system of financial instruments that, as a mechanism, could continuously ensure the suitable commitment of such incomes, or could lead to something that is at least the equivalent of such a mechanism: to a monetary policy based on new principles and to the modification of the policy on savings. Also for this reason, the need for subsequent operational intervention has increased lately in particular.

The overriding importance of meeting our foreign obligations and maintaining our solvency makes it inevitable to export competitively, to expand capacity, and to this end to pursue a purposefully export-oriented development policy. In this context the concern seems justified that the gaining of the benefits attached to the development and expansion of competitive export stimulates the economic organizations to export directly, which could disrupt domestic co-operational relations, lead to the withering of the supplier industries, and trigger exports of lower-order goods. And, converted into development funds, the purchasing power generated in this manner constitutes another source for the structure's preservation. Therefore in development policy, emphasizing also the domestic market's reputation, it is necessary to strengthen the income-oriented approach that also increases the competitiveness of export, assuming a suitable exchange-rate policy. In other words, we must achieve that income recognized by the market becomes the center of the incentive, and that development funds can be formed additionally from profit and depreciation only to the extent recognized by the market.

Thus placing the regulation of the investment market's purchasing power on new principles requires of investment policy changes in emphasis. We need to realize market-oriented development projects that improve competitiveness and the ability to generate income, and we also need a new monetary policy. This requires the further development of the price system and, in a wider sense, of the financial system, as a result of which economic regulation will transmit without distortion to the economic subjects the real market conditions.

Territorial Development

A paper by Gyorgy Perczel, section chief of a department attached the MSZMP Central Committee, analyzes the territorial peculiarities of development projects. The long-range objectives of territorial development were outlined in the political and government decisions adopted in the early 1970's. Looking back a decade later on these decisions and their implementation, we must realize that the decisions formulating our policy on territorial development already took into account many of the requirements of intensive development, but they were born amidst favorable external and domestic economic conditions, radically different from the present ones.

In the 1970's, as a result of rapid development, the territorial rearrangement of industry continued, at the megye level and also at the level of the individual categories of settlements. Budapest's share of industry further declined, and this was evident also in that its share of industrial investment dropped below 20 percent.

In spite of various problems, it can be established that the stresses resulting from industry's territorial disproportions have been relieved to a considerable extent, and industrialization in the provinces has contributed to national economic growth, to solving the problem of providing jobs, to spreading the technological level, and to narrowing the unjustifiable socioeconomic gap between regions. The agriculture and food-industry complex played a greater role in the development of the productive forces, and indirectly in territorial development, than had been planned originally.

An important objective of the policy on territorial development is to modernize the structure of settlements, and to narrow the still existing unjustifiable differences between regions in terms of the living standard and living conditions. Development policy devoted more attention than previously to the population's infrastructure. More than a third of the total investment in the economy served this purpose. As a result, the level of the infrastructure's availability rose and living conditions improved. This was typical of every category of settlements. Development of the infrastructure in the villages was highly differentiated and took place under significantly differing conditions of raising revenue and proportions of cost-sharing. Development of the infrastructure was concentrated in higher-order settlements, cities, and they accounted for 90 percent of the infrastructural investments. Within this two-thirds of the councils' development resources was spent on the megye seats.

The experience of the past period, the attained level of socioeconomic development, the changing external and domestic conditions, the new requirements of the intensive change of development, and the broadening of socialist democracy necessitate the renewal of both the content and method of territorial development and of the development of settlements. It is warranted to base the development of the productive forces more on local conditions, innovation, better utilization of the infrastructure, and cooperational relations within smaller areas. Appreciating natural resources--the soil, mineral wealth, water resources, and natural vegetation--must be used more extensively, but at the same time closer attention must be devoted to protecting the natural environment and structures.

In harmony with perfecting the system of macroeconomic management, it is also necessary to modernize the management of territorial development, including the development of settlements. Special attention must be devoted to the further development of territorial planning and regulation.

In the interest of spending more efficiently the resources available for territorial development and the development of settlements it is especially important to streamline the formation and expenditure of the councils' resources. In this process it is expedient to strive for reducing the central government's costs, to limit the megye councils' distribution function, to increase the proportion of local revenue or of the resources over which the local councils have discretionary authority, and to expand cooperation among the local councils, economic organizations and population, based on their mutual interest.

Integrated Information System

Janos Dudas, the head of a department within the Central Statistical Office, will present a paper on the investment information system. When defining the

tasks of developing the investment information system, there are three main equilibrium-related areas on which we must concentrate our attention: equilibrium of the formation and spending on national income (or gross domestic product), external economic equilibrium, and equilibrium of the investment market.

On the basis of investigating long time series on national income and investment it can be established that at the macroeconomic level the correlation between the growth of investment and the growth of output is a loose one. We can improve the income-producing ability of the stock of capital that exists at any given time by using it more efficiently, and also by placing in operation investments of above-average efficiency that accurately anticipate the market demand. When developing the investment information system, we placed emphasis on this second alternative.

The efficiency of investments determines the effect on the growth of national income. To measure and analyze the efficiency of investments it is necessary to examine the phases of both their realization and operation. Therefore we have begun to organize a system for the comprehensive observation and evaluation of how investments operate.

In the course of developing the investment information system, one of our objectives has been to be able to measure also the effect that investments have on external economic equilibrium. Measuring the investments' proportion of import and the attainable expansion of export is an important task, and occasionally it is of course difficult to perform. Therefore perfection of the employed methods is constantly on the agenda.

The investment market's situation is reflected indirectly also in the qualitative characteristics of the process of realizing the investments. By this we mean primarily the changes in the specific costs and in the time of realization. The general experience has been that as shortages increase, the costs rise, realization is extended, and also the qualitative parameters worsen. This explains, among other things, why we regard as so important to investigate the efficiency of the process of realizing investments. In Hungarian investment practice primarily central state investment statistics provides the data necessary for controlling and analyzing assertion of the requirements of efficiency.

Investment data are contained in the Central Statistical Office's two electronic data bases: B STAR 1 contains the synoptic value indicators, and B STAR 2 contains the data of individually observed investments. The two data bases are able to supply within a short time the data for regular and various ad hoc analyses.

Investment costs are investigated by the method of computing the specific investment cost. The specific investment cost per unit of capacity can be determined if we divide the cost by the physical objective (capacity). Since the investment cost depends on the quantity of capacity to be built and on the specific investment cost per unit of capacity, by simple standardization we can calculate the effect of each factor on the development of the actual cost. In this way we can determine whether the deviation from the planned cost was

due to building more or less capacity than had been planned, or to the departure of the specific cost from the planned specific cost. But we investigate investment costs in another projection as well: the rate at which the investment allotments are being spent (or the investment costs are being paid).

In addition to investigating the investment process, statistics is devoting close attention also to analyzing the efficiency of fixed capital. The designed statistical surveys provide the most important information for this. Basically consistent information systems and their coordinated operation now provide a stable basis for extensive investigation of the investment process, and of the efficiency of the fixed capital newly placed in operation.

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CSO: 2500/53

MINISTER VIEWS LONG-RANGE ENERGY POLICIES

Warsaw ZYCIE WARSZAWY in Polish 10 Oct 83 pp 1, 6

[Interview with Stanislaw Kus, vice minister of Mining and Energy, by Tadeusz Bednarek]

[Excerpts] Question: What are the projections of Poland's energy situation and how do they compare with those of other countries, as presented at the recent 12th World Energy Conference in Delhi that you attended as head of the Polish delegation?

Answer: Most countries envisage a balance of supply and demand energy for the period up to the year 2000. They simply do not accept the possibility of any imbalance. However, the forecast of Poland's energy situation is not optimistic. Coal and lignite are the basic sources of energy for Poland, accounting for some 80 percent of the consumption of the so-called primary energy. Meanwhile, gas and liquid fuels account less than 20 percent of the energy needs, mainly because of the dearth of means to finance imports. These are disadvantageous proportions. In the EEC countries the coal to gas and oil ratio is the opposite of the Polish figure whereas in the CMEA countries (U.S.S.R. not included) oil and gas account for some 40 percent of the total energy needs. Besides, Poland, which was once an exporter of energy, is now a net importer. The import of oil, gas and nuclear fuel will require considerable hard currency means in the future, whereas the revenue from the export of coal will only be sufficient for financing one third of the import. Neither is it possible to attain a further significant growth in coal extraction.

However, intensive work is under way to shape a more or less proper energy policy. This work embraces the extraction, processing, transport, distribution and use of all the energy carriers. We want to balance all of Poland's energy needs up to the end of the century, although this is not going to be easy.

As a result of the good situation in coal and electric energy supply over the last two years, one could already hear opinions to the effect that the energy crisis in Poland has been overcome already and the outlays on the development of the fuels and energy complex can now be curtailed. These assessments are wrong. After all, the demand for electric energy and other

energy sources is on the rise, and we estimate that the growth will not be lower than 4 percent a year. And this requires the installation of new capacity in the power plants and development of the distribution network. We must not permit the energy crisis of 1978-1980 to be repeated. However, a number of conditions should be met first. The two elementary conditions are rationalization and maximum economies in the use of fuels and energy and the building of new power plants and transmission lines.

Question: And what about energy savings in the generating industry itself?

Answer: We do attach a great deal of significance to this problem, which could be a subject for a separate interview. The last two years witnessed considerable improvement in this respect. By increasing reliability, the energy industry achieved the equivalent of installing an additional 1000 megawatts of generating capacity without any investment. This made possible a continuous work of the system, without power cuts, from January 1982 to this day. At last, an indispensable margin of a 20 percent surplus of installed capacity over demand was attained. But I wish to emphasize that this is not redundant capacity, merely prerequisite of an efficient operation of the whole system. In developed countries the surplus is not lower than 40 percent.

Question: What is the future of the Polish power generating industry then?

Answer: This is a complex question. The economy is entering a period in which fuels and energy are becoming one of the fundamental factors determining development. Given the limited means, rationalization and savings become especially important. But regardless of that, and despite the enormous amount of capital involved, the fuels-energy complex has to be developed.

In order to meet the demand for energy in 2000, which we estimate at 250 million ton coal equivalent (t.c.e.), it is necessary to mine some 205-210 million tons of coal and 80-90 million tons of lignite. It will also be necessary to import oil, gas and nuclear fuel totalling some 70 million t.c.e.

It is therefore necessary to increase the installed capacity to the level of at least 40,000 MW and production to some 230 billion kilowatthours. This means that it is necessary to install 27,000 MW of new capacity by 2000, of which 8,000 MW should be in nuclear power plants. So much for the needs.

However, taking into account the initial estimates of the outlays that could be assigned for the development of the energy complex, we have to be prepared for considerable curbs on its growth. As a result, coal extraction may stay at the level of 190 million tons a year, lignite at 80 million tons, and oil and gas imports may have to be seriously limited. It may also happen that the growth of installed capacity will be lower than 20,000 MW and that only 4-5 thousand MW would come from nuclear plants.

This means that the country's limited investment potential and the shortage of funds to finance the import of fuels threaten the country's energy balance in the period up to the year 2000, which also means that the rate of Poland's socio-economic growth would have to be lower. In order to avert this possibility, it is necessary to rationalize the use of energy in the whole economy, as required by the Government savings program. What I mean is of course not only technical and technological changes in industry but also deep structural changes in industry, transport or construction.

The country's further development must be more closely coordinated with the development of the fuels-energy complex and there can be no reduction of investing in this domain.

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CAUSES OF FOREIGN DEBT CRISIS REVIEWED

Warsaw PRZEGLAD TECHNICZNY in Polish No 38, 18 Sep 83 pp 20-21

[Article by Ryszard Slazak]

[Text] At the beginning of the 1970's, an abrupt turn occurred in Poland's external economic policy which resulted in a social animation and a growth of activity in all the areas of socio-economic life. This continued for barely five years. It was a time when low-interest hard currency credits were easily available on the international markets. The balance sheet of the first half of the 1970's was successful.

This reorientation in borrowing policy was a result of both the change in the ruling team in Poland and the changed international economic and currency situation. All of this could be exploited for ensuring a faster economic growth. However, the opportunity was not taken full advantage of from the point of view of Poland's economic goals. The authorities continued to display a double-faced attitude to foreign credits, one for home, the other for external use. This changing approach on the part of the authorities was responsible for the fact that the drawing of foreign credits was not accompanied by a change in the principle of their use in industry. Under the powerful influence of the industrial lobby, such a change would have to upset the to-date inertial system of economic management and result in increased personal accountability of executive personnel at various levels of management for the rational utilization of the funds.

The sudden opening of the floodgates to cooperation with the West, the lack of preparation for it among the personnel, the lack of a proper program of development of the economy and the lack of supervision over the effectiveness of this cooperation made it easy for the foreign parties to exploit Poland. This exploitation was reflected in the financial results attained.

Polish industry, foreign trade organizations and even banks were not prepared for cooperating with the West on the basis of equality. The competitiveness of Polish products was relatively low and, worse still, the significance of this fact was underestimated.

Every sector of the economy had its own policy and did not coordinate its efforts with others. The separation was especially spectacular in foreign

trade and banking. Meanwhile, the industry and the economic administration have been strongly pressing for the imports of technology and equipment while failing to ensure a proper preparation of investment projects, their rationale from the Polish point of view and the course of the gestation period. Machinery was imported before the investment process actually got off the ground. There were also instances when Poland imported machinery for the production of goods that the factory supposed to produce them has not even entered in its production program.

After 1976, some negative changes occurred in the motivation of imports. The economic incentives to importers became weaker while there was a growth in the pressure for imports resulting from narrow interests of individual lobbies (both formal and informal ones) as well as from violations of the principles of the rule of law. The eagerness to travel abroad on the part of the officials responsible for decision making sometimes determined the fact and the source of a purchase made abroad. The domestic producer and buyer of the product in question did not have to pay the full price of the merchandise and did not have to repay the foreign obligations incurred as a result of the purchase. This led to waste and distortions in the whole economy.

The import of industrial goods on credit terms was one of the most important economic tasks in the previous decade. On the other hand, the repayment of debt obligations was left to its own fate, without any program and a suitable preparation of the economy for bearing the burden.

This state of affairs was conducive to the perpetuation of the deeply rooted post-war tradition of using labor-consuming production methods that increased the economy's demand for imports, especially in industry, construction and transportation. This prolonged the existence of petrified economic structures. Their accelerated disintegration actually did not start until 1978. In the first stage of the economy plunging into the crisis, these structures were energetically propped up by foreign credits.

Foreign credits became a factor that was perpetuating everything that existed so far, namely the rule of the to-date power elite which only had the investment ambitions to offer to society. These ambitions were awakened by all kinds of appeals and exhortations to society which referred to these investment projects as a matter of national pride! By the same token, foreign credits were recognized as an important factor regulating Poland's economic relations with other countries.

In that period the authorities were viewing the taking of ever bigger credits with a kind eye. The enormous volume of these credits was accompanied by the complete lack of any relationship between them and the complex internal situation. The lack of cohesion between the foreign credit and the domestic credit in zloty led to lower effectiveness of the use of the hard currency credits and an increasingly difficult repayment situation. At the same time, the capacity of various representative bodies of people's power for controlling the operation of various economic units has diminished. In this

way errors in the management, functioning and control of the economy were multiplied at an accelerated pace. Also the structure of foreign credits was rapidly deteriorating and the government was not taking sufficient steps to prevent it.

In this way, the share of foreign awarded credits in the gross national income produced was rising; it went up from 5 percent in 1970 to about 35 percent in 1975 and already 150 percent or so in 1980. This means that in the years 1977-1980 Poland lived on credit and that foreign credits were prolonging the malady of the Polish economy.

The foreign credits delayed for a short period of time the bankruptcy of the central plan while intensifying the causes of the weakness and the domestic socio-economic crisis. This crisis brought nearer the prospect of sharp shocks and sudden developments bearing on the state of the economy, the mood and the minds of the nation. The process of pauperization of the poorest strata of society was advancing while the trade unions stayed passive. Economic statistics were rewritten at will while the social mood deteriorated. The world began to speculate on the outcome of the evolution of the situation in Poland that was fueled from several places in the world.

Meanwhile the economy was getting weaker and weaker and the country could not obtain assistance from international economic organizations. Fearing the obligation to submit truthful data about the state of its economy, Poland did not join the main international economic organizations (The International Monetary Fund and the World Bank), from which it could obtain considerable financial assistance. These organizations appraise the economic performance of the country receiving the credit and it is quite probable that Poland's investment targets would have been chosen more wisely in those circumstances. The authorities would be certain that the investment programs are implemented in the correct way and that foreign financial assistance would be forthcoming. The reserved attitude of the authorities to the organizations in question and to their sources of credit only produced losses for the country.

If it was decided not to use credits from international economic organizations, then it was necessary to make extensive use of the so-called state or government-backed credits. State credits should have been the main source of financing investment projects in Poland. The conditions were right for it. An opportunity for obtaining such credits could be found in the numerous state visits at a very high level and the good relations with the industrialized countries. However, the inability to pursue financial policy goals in international relations was responsible for the fact that this historic opportunity was wasted. During negotiations the Polish side approached financial and credit questions shyly. Foreign government-backed credits were not a factor consolidating Poland's economic statehood because of the inability to look at foreign policy from the financial angle.

At the same time, no effort was spared to set up diplomatic and commercial missions in remote and exotic countries.

One can ask today why the problem of credits obtained from government sources was not properly understood in the Polish financial, commercial and diplomatic decision-making circles. Didn't they understand their significance for the country's economy? No, they understood it well, but, as the burden of debt repayment was hidden from the authorities as well as the society, even those circles did not know or understand the mechanism of huge debt repayments that were emaciating the economy. Polish diplomatic and commercial missions were not instructed to deal with the economic results of Poland's cooperation with other countries as a whole and with each separate country. Presumably, economic problems were of only marginal interest to the Polish diplomatic service. Despite all these errors, there was no end to boasts about Poland's membership in the group of leading industrialized countries of the world; this made Poland dependent on the West and deprived it of the benefits of international cooperation. The indebtedness was steadily growing but it did not upset the authorities. While the overall volume of debt was rising very quickly, the situation was exactly the opposite with regard to state-backed credits. This means that the alliances, commercial treaties and international agreements from the 1970's did not envisage a growth of financial assistance for Poland on the part of the foreign partners. In this manner, Poland was exposed to bloodletting on the part of the international private capital, which earned enormous sums of money on Poland.

Today this capital speculates on Poland on a world scale while Poland curiously deprives itself of effective protection against the effects of this speculation. The Western financiers should realize that they too are responsible for the Polish economic and financial crisis. Using various methods, they pumped money into Poland despite the fact that they were perfectly aware of the country's economic situation. Already in 1978 their experts' appraisals of the development prospects of the Polish economy were pessimistic. This means that a part of Polish and Western financial experts were convergent, and yet new credits were willingly granted. The flow of credits was only interrupted in December 1980.

Will the West be prepared to understand that it is also partly responsible for what happened to Poland's economy?

WAGE REFORM BILL ASSESSED IN RZECZYWISTOSC

Warsaw RZECZYWISTOSC in Polish No 37, 11 Sep 83 p 6

[Article by Bronislaw Fick]

[Excerpta] The Ministry of Labor, Wages and Social Affairs has worked out and submitted for public consultation new proposals on transforming the pay system which are claimed to constitute a major step forward in the implementation of economic reform.

But it must be stated that just as the previous ones the new offer has little to do with a general revamping of the pay system. It is nothing else than just another interim solution. A general reform of wages again seems to be postponed till the remote future.

In the ministry's concept, the modification of the system is to be based on two legal acts: a Council of Ministers' executive order on the principles of remunerating employees of socialized economic units and an amendment to the law on finance management in enterprises, permitting the introduction of experimental pay principles.

1.

The first act is going to replace the now binding Council of Ministers' executive order 135 of June 28, 1982. As admitted by the ministry itself, the latter has not lived up to expectations. In most cases it has actually been confined to mechanical increase in basic-wage rates and to rise in the global amount of wages. The mechanisms set in motion by the document--and designed to counter these developments--proved a complete failure.

Proceeding from the (correct) assumption that, in view of the rapid rise in the costs of living, the basic-pay rates introduced under executive order 135 have become outdated and insufficient, the draft order calls for their increase--also (but not exclusively) through the inclusion of cost-of-living pay supplements to the basic wage. Let us dwell a while on the process which has necessitated the revision of these rates.

The increase in prices and costs of living resulted in an understandable pressure for higher wages. The new, higher rates introduced in June 1982 calmed

down the situation only temporarily. Pay increases quickly hit the ceiling of new wage scales. In view of the related atrophy of the personnel-promotion system, further pay increases could no longer be effected by raising the basic wage but rather by creating new, or increasing the existing bonuses, awards and allowances--connected very weakly, if at all, with increase in labor productivity. The share of basic wage in total pay was thus falling steadily--most probably below half at present. At the same time, the promotion movement was bound to die away. The present increase in rates will make possible a new rise in the share of basic wage, releasing motivational effects of the promotion system and reducing the scope of often fictitious bonuses and awards. The whole process is a natural consequence of rigid basic wages maintained in condition of growing inflation. Incidentally, it is nothing new in our post-war economic history. In periods of "creeping" inflation, especially in the 1950's, it happened that bonuses reached 400 percent and more of the basic wage. When wages are rigidly set, the inflationary pressure for higher pay is relaxed by increase in various sorts of movable price components (bonuses awards, piece-rate surpluses [nadwyżki akordowe]). Naturally this destroys their motivational function. Such processes were always counteracted by successive increases in basic-wage rates, announced from time to time at the expense of exorbitant bonuses and awards.

But these operations had the effect of eliminating the manifestations rather than the causes--and for a short period at that. The major cause was the rigidity of basic-wage rates, coupled with the simultaneous inflationary increase in costs of living and overall earnings. The only reasonable solution to this problem is to apply movable basic-wage scales based on cost-of-living indexation. One can only propose that a general pay reform--which hopefully will be worked out and introduced sometime in future--rest on this movable-scales principle. It is only this principle that can prevent the promotion system and other motivational systems from being periodically destroyed (and requiring successive reforms).

Executive order 135 and the present draft are merely stopgap measures. The proper role of basic wage is to be restored but in conditions of inflation work will soon have to be started anew. Increased rates will hit the ceilings, bonuses and piece rate surpluses will be growing and the share of basic wage in overall pay will be falling. The draft bill on pay principles calls for the following measures:

- Inclusion of cost-of-living supplements into basic wages,
- increase in hourly and monthly rates of basic wage,
- increase in managerial supplements [dodatki funkcyjne],
- increase in seniority bonuses and in supplements for arduous and hazardous work,
- limitation of various awards and bonuses not connected with the results of work (while retaining the principle of free choice of forms of wage and bonus payments).

The draft does not transgress on the principal provisions of the labor code and collective-bargaining agreements. Nor does it alter the current principles of job evaluation.

The whole operation is to be carried out within the "currently binding system of wage funds" provided that a review of work norms is made and that the share of basic wage is increased (by the inclusion of some bonuses and piece-rate surplus). These measures are supposed to prevent unwarranted increase in overall wage payments. But they repeat, almost word for word, the provision of Paragraph 7 of executive order 135, which was designed to serve the same end and which failed because the "currently binding system of wage funds" held water.

The inclusion of cost-of-living supplements to basic wages means that this form of compensating for increase in costs of living will cease to exist. The only way of offsetting higher costs of living will be by increasing the nominal pay. Time will tell whether we will manage to tie it with accuracy to higher labor productivity and to avoid manipulations resulting in pay rises designed exclusively to keep the real-wage level. The inclusion of cost-of-living supplements into basic wages poses many dangers. The burden of payroll tax, social-security contributions and FAZ contributions, shouldered by enterprises, will be increased substantially. True, the authors of the draft assume that the rise in costs will be covered with enterprises' own means--by reducing other components of cost--and that it should not result in price increases, but this assurance remains declarative in view of the limited opportunities for price control. In extreme cases, enterprises may face financial troubles, especially when production is not very profitable or even subsidized. In such cases, will the increase in costs be covered with subsidies?

Another danger stems from the fact that the cost-of-living supplements, after their inclusion into basic wages, will provide the basis for piece-rate prices [ceny akordowe]. This should not be neglected in view of the expansion of piece-rate payments, with which the present amount of cost-of-living supplement will either increase (if work norms are met in excess) or drop (if work norms are not met). Under the piece-rate system, the present amount of cost-of-living supplement will thus become a movable component--either to the advantage or to the disadvantage of the employee.

The proposed increase in basic-pay rates is substantial. The minimum rates are to be z1 28/hour and z1 5,000/month. The maximum hourly rate (now z1 40) may be increased by 50 percent, and the monthly rate (z1 12,000 at present) by 33 percent. The draft retains the eleven grades of hourly rates and the twenty-two grades of monthly rates. This is a fault in design, especially when it comes to monthly rates. Too many grades result in low differentials, especially at the bottom of the table. With grade differentials of the order of z1 100 or z1 200 per month, the promotion system becomes illusory and the lowest grades become defunct (as no one will be willing to take jobs at linked to low rates). The reason why the present number of grades is to be retained seems to be that the current job evaluation scales are to remain intact. If

the labor Ministry is unable to do it, why not authorizing the enterprises to work out their own systems of job evaluation, especially in respect to office workers? The present job evaluation scales are so antiquated that they prevent enterprises from pursuing rational pay policies.

The draft offers two variants for the setting of wage rates. The first calls for rates differentiation by sectors, branches and industries. Under the other variant, rates are to be uniform throughout the economy, just as it is stipulated in executive order 135.

The first concept is correct, while the other means the abandonment of a policy of intersectoral wage differentiation (which is necessary, if only because of the need to ensure inflow of labor to undermanned industries). The application of uniform rates in all sectors and branches of the economy is economic absurdity, and offshoot of primitive egalitarianism which ignores economic realities. The Center thus gives up trying to influence the inter-sectoral wage pattern, and leaves it to the interplay of elements. But even in the first--correct--concept, the designers are astonishingly timid. The maximum hourly-rate differential is to be zl 5, or 8.3 percent, for the hourly rates and zl 1,000, or 6.2 percent, for the monthly rates (in respect to maximum rates, but consequently to all other ones as well). It is obvious that with so small differentials it will not be possible to offer preferential treatment in wages for sectors in respect to which such treatment would be warranted or even imperative.

The draft discusses the possibility of raising the managerial supplements [dodatni funkcyjne] to 70 percent and even 120 percent. Ten grades are proposed with the spread of 1 to 10. Besides the principle is to be maintained that the supplements should be accorded exclusively in compliance with the now-binding provisions of collective-bargain agreements--which means in respect to those posts at which they are granted at present. Up to 70 percent, the increase may be announced in enterprises selected by the relevant minister in compliance with guidelines issued by the minister of labor, wages, and social affairs. The up-to-120 percent rise will be reserved for enterprises named by the minister of labor, wages and social affairs, at the request of the overseeing minister. This arrangement gives rise to some reservations. Its goal, naturally, is to provide an opportunity for higher managerial wages.

There would be nothing wrong in it, if it only concerned people who indeed perform managerial functions. But in a situation where the supplements are to be granted at all those posts at which they are paid at present, one should realize that they will cover the fictitious "managers" who were appointed only in order to become eligible for higher pay. There is an astonishing platitude of such posts in the current job evaluation tables. This is connected with the unnecessary expansion of organizational structures at enterprises, where organizational units were often set up only for the purpose of creating a "managerial" post. Even a most limited reform should finally solve this burning problem which has the effect of unnecessarily complicating enterprise organization and management, as well as dissipating responsibility.

There should be a clear-cut demarcation of posts that are really managerial, and the discussed supplements should be confined to them alone.

There is a disquieting centralization of decisions on the selection of enterprises in which higher managerial supplements are to be allowed. No doubt, enterprises will exert pressure on parent bodies and the Ministry of Labor, and elements of lobbying and behind-the-scenes dealings will emerge. This will not be conducive to the efficiency of the system.

The plentitude of allowances for arduous, hazardous, dangerous, high-rise work, etc. is to remain unchanged. The draft only discusses the possibility of increasing the amount paid.

The proposals put forward in the document are in fact confined to mechanical increase in basic wage and other fixed component of wages--"within the available means." But save for some platitudes it contains no clues on the system of bonuses, whose motivational role is enormous. Nor does it present any examples--against earlier announcements. But if past experience is to be a guide, the enterprises themselves achieved little in this area. The best motivational systems they created include the sale of enterprises' own products [in short supply on the market] directly to their employees, the "controlled" distribution (sale of short-supply items to selected employees in selected enterprises), "asygnaty" and "talony" [forms of rationing privileges for loyal employees which permit them to buy scarce goods at official prices], etc. This is not a right way.

But the center of gravity in the whole problem does not lie in the setting of rates for wages and supplements. It lies in the formation of funds for wages. Here, the system has too many loopholes. Therefore, it may be feared that the within -own-means formula will fail to contain the rampant increase in wage and benefit payments. Let me issue a warning that the introduction of the proposed principles may release a chaotic rise in wages without an equivalent growth in consumer-market supply, which will intensify inflationary processes and destroy the remnants of the existing wage patterns. Against this background, I would like to ask the authors of the draft: how about wages in the budget-financed sphere? It is about time to consider indexing these wages in proportion to pay dynamics in enterprises--unless we come to a conclusion that we do not need the budget-financed institutions.

2.

The goal of the proposed amendments to the law on finance management in socialized enterprises is to permit departures from the now binding provisions of the labor code and collective-bargain agreements--in the form of new wage systems at enterprises. One law is thus going to include an authorization to disobey provisions of another which is still in force. This is an original solution, but it really doesn't seem to be any other way of getting rid of the corset of outdated labor code. Under the amended law, the pay principles will be defined in special enterprise by-laws which are going to replace other legal acts upon which labor relations are based at present.

The proposals on wage experiments are rather enigmatic. Enterprises would be authorized to lay down their pay rules, and in particular to set the components, forms and levels of wages.

The proposals do not provide for maximum rates, both in respect to basic wages and other benefits. This is tantamount to permitting them to stand at any level under the universal formula "within the available means." Another objective is to strengthen the role of basic wage in overall pay, which is supposed to change and improve the wage pattern. Characteristically, emphasis is laid on higher pay for hard work and for work performed in difficult environmental conditions. The idea is, naturally, to provide preferential treatment for hard manual work, which reflects the diminishing appreciation of the hardness of intellectual work.

The proposals provide for virtually no cuts in the number of pay components. The pay-slips will not be shortened, and as before they are going to include basic wages, the previously-paid supplements (for arduous work, for hazardous work, for managerial duties, etc.), and extra pay for work not provided for in labor contracts (overtime, work-free days, second and third shifts).

An attempt is made to reinforce measures aimed at increase in basic wages. The level of individual supplements and allowances is to be reduced and linked to the minimum pay rather than one's basic wage, as defined by one's pay grade. This is the line followed by enterprises engaged in pay experiments already now, and it may, indeed, release substantial funds for basic-pay increases. But some proposals arouse doubts. It is true that a vast room for maneuver is offered by setting only minimum thresholds for extra-pay [doplaty], but this principle is not very clear and it cannot be predicted how the workers will receive it. Extra-pay for overtime work, for work on the second and third shifts and for work on official days-off will be related to the minimum wage and be the same for everybody, thus running counter to the principle: "to each according to one's work." An employee working overtime performs the same work as in regular hours. Consequently, his extra-pay should be linked to his regular wage, as defined by the kind of work he does. It would not be right if both a janitor and a precision-lathe operator were to receive the same extra-pay for working on a night shift. Allowances for work in arduous work, dangerous work, or work involving health hazards are a different matter. As affecting in similar degree all those working in such conditions, they may be paid at the same level for everybody.

Seniority bonuses [dodatki stazowe] should be linked to the duration of work in a given enterprise--not work in general. Only such a solution would counteract workforce fluctuation. Seniority bonuses for work in general do not play any economic role. Higher pay of an employee with long service should come as a result of accumulated expertise and skills rather than the bonus. Pay for downtime should not be linked to the minimum wage since the resulting idleness, caused as it is by mismanagement and production-supply shortages, is not a fault of the workers.

The ban on new allowances in kind, their money equivalents, etc., seems to be correct, and it can only be deplored that such a ban was not introduced before.

One is astonished by the very high degree of centralization when it comes to decisions on the introduction of the experimental pay rules. Each enterprise opting for them will have to obtain permission from the minister of labor, wages, and social affairs, after having its application vested by the parent body which will assess the enterprise's technical and economic conditions. The related criteria are to be defined by the labor minister. This is hardly a step towards greater degree of enterprise autonomy.

CSO: 2600/251

MINISTRY OFFICIAL COMMENTS ON WAGE REFORM PACKAGE

Warsaw ZYCIE WARSZAWY in Polish 4 Oct 83 p 3

[Interview with Jerzy Pawlowski, department director at the Ministry of Labor, Wages and Social Affairs, by Jacek Mojkowski]

[Text] Question: As I see it, people are not so much for a wage revolution as for a common wage increase.

Answer: Apprehension of the new is understandable. Wherever possible, we try to explain to people that a situation where social benefits are higher than remuneration for work must be finally changed. Such a state of affairs is demoralizing and cannot be altered by a single regulation of wages (which to many means exclusively pay rise). What is needed is rather a thoroughly revamped new motivational system.

Question: What has come out of the discussion over your proposals so far?

Answer: First of all, a host of questions and doubts.

Question: This sounds like self-criticism. You are the authors, after all.

Answer: Published in the press were only proposals concerning the executive order--not the ready-made draft. All we could do was just draw an outline of wage modifications, rather than providing detailed solutions.

But as I noted at factory meetings, people want more details and demand that the conversation cover not only wages but prices and taxes as well. As many doubts are still lingering, we decided to prolong the period of consultation and publish in October new, more detailed guidelines for changes in the wage area. Information will be provided on the principles of job evaluation, wage scales, cost-of-living pay supplements, income-equalizing tax, allowances in kind, occupational charters, etc., which will broaden the subject matter for discussion.

Question: What problems are taken up most often at factory meetings?

Answer: Coming under fiercest fire from enterprises is the principle of central-level setting of maximum hourly rate. It is argued that the state should set the minimum wage alone, leaving the wage scales to enterprises.

Question: What is your opinion on the subject?

Answer: At the initial stage of the evolution of pay principles, the setting of wage ceilings is indispensable. This can be abandoned when economic regulators start functioning correctly at enterprises and when the economic performance comes as a result of better organization and productivity rather than increase in prices.

Question: How much time will it take?

Answer: Around three years.

Question: What else do the workers demand?

Answer: They want new job evaluation tables which would put basic wages in order. They ask whether the enterprises will afford paying increased FAZ contributions after the inclusion of cost-of-living supplements to wages (let it be explained right now that there will be no additional obligations on this account). Many people fear that the inclusion of cost-of-living supplements into wages will increase incomes per family member which are taken as the base for other benefits, e.g. kindergarten fees, etc. More detailed questions will be answered in the new guidelines for wage reform.

Question: So let us talk about the general reservations. It is said for example that your proposals are simply old ideas in new attire.

Answer: It depends on what you have in mind. We submitted for discussion two documents. The first one concerns the Government's draft executive order regulating pay policy, while the other is the draft Sejm law permitting enterprises to conduct wage experiments. As for the former, I agree that its provisions in a way certify the old structures, only now at a higher level. The criticism prompts us to abandon the executive order and concentrate on wage experiments at enterprises. There is every indication that we will follow that line, giving enterprises the freedom to create their own motivational systems within the framework of the Sejm law.

Question: Is really a special law needed to enable different wage patterns?

Answer: A barrier is posed by the old collective labor agreements, occupational charters, etc. They have a very high legal rank, and enterprise's "wage laboratories" can be regulated only by a legal act of the same rank.

Question: What, in a nutshell, is the idea of wage experiments?

Answer: The underlying principle is that for the very fact of being employed the employee is not entitled to any pay--or at least to a very small one. Wages will be differentiated in accordance with productivity, skills and qualifications, working conditions, and physical hardship. But the seniority bonuses, jubilee awards, and severance pay on retirement should be uniform for the whole economy.

Question: What is required from an enterprise opting for an experiment?

Answer: Leaving out the technical conditions--e.g. enterprises must themselves earn the resources for wages paid as part of experiment--the basic condition is workforce acceptance. Prior to experimenting all ambiguities must be thrashed out, and it is only then that a sort of social contract can be concluded.

Question: Will the enterprises be free in deciding whether or not conduct the experiment?

Answer: Naturally. We don't want the bill provisions to be obligatory. But the employee collectives refusing to make major changes in wages should be aware that the old system of motivation will be a drag on the performance of their enterprise.

Question: How many enterprises have begun experimenting?

Answer: Around thirty, but I believe there will be more of them if the bill is passed next January. 1984 will witness a sort of voting by enterprises. The number of those choosing the experiment will testify to a success or a failure of our concept. If the experiments prove successful, they will provide in two years' time a wonderful basis for a new, comprehensive law regulating the wage problem in Poland.

CSO: 2600/154

DILEMMAS OF PAY SCALE REFORM PACKAGE EXAMINED

Warsaw ZYCIE GOSPODARCZE in Polish No 42, 16 Oct 83 p 12

[Article by Janusz Eloanowski]

[Text] The long-awaited pay reform is finally in the offing. After the interim legal acts regulating the area of wages and after the 1982 proposals put forward, and soon withdrawn, by the Ministry of Labor, Wages and Social Affairs, there appears a real harbinger of reform--in the form of guidelines on a draft executive order of the Council of Ministers concerning the principles of remunerating the employees of socialized enterprises, recently submitted for public discussion.

But this time again the response is critical. While accepting the need for the abandonment of various pay components, in order to increase the share of basic wage and enhance its motivational role, the critics point out that the proposed reform does not solve many important problems and that the planned modifications are too fragmentary and marginal to be capable of tackling the complex issues at stake.

It is true that a more detailed search for proper systemic solutions is to be conducted as part of experiments in selected enterprises, but this means further postponement of important mechanisms of reform and continuation of interim arrangements in the key area of the economic/financial system.

The proposed increase in basic-wage rates, coming as a result of inclusion into wages of cost-of-living supplements and other variable pay components, encounters the barrier of mandatory maximum-pay ceiling. Next to this barrier, some enterprises face difficulties with covering the financial consequences of higher payroll tax and ZUS [State Insurance Agency] contributions, caused by increase in the amount of basic wages. Despite the inclusion of cost-of-living supplements, a substantial proportion of overall pay remains outside the sphere of basic wage, and it is doubtful whether the latter's share could be continually increased without any resistance--at the expense of various allowances in kind, non-monetary benefits stemming from occupational charters, allowances compensating for particularly hard work (in hazardous and difficult conditions, on the second and third shifts for work done overtime and on work-free days, seniority bonuses, etc.

Necessary Supervision

In a time of crisis and unstabilized economic situation, coupled with the added factor of inflation, the pay reform encounters great difficulties which necessitate the adoption of piecemeal arrangements. One of them is the marriage of the social function of wages with its opposite, the motivational function. The former is emphasized in times of rapidly increasing costs of living and declining real wages, when the need to ensure the minimum standard of living for all employees becomes a burning socio-economic problem.

The increase in costs of living is inevitably accompanied by a strong pressure from employees for pay rises, which--because of the fixed ceiling of maximum pay--results in a concentration of wages in upper pay grades and a tendency to wage egalitarianism.

Similar consequences must follow the inclusion into wages of cost-of-living supplements which are higher for lower wages and lower for higher wages.

In these circumstances, attempts to increase the motivational role of basic wage by differentiating its scale are doomed to failure, since too narrow pay-grade differentials will not provide encouragement to more complicated, more difficult, and more responsible work, or to the upgrading of one's qualifications.

Those searching for an optimal design of the system will thus face a dilemma: either to permit substantial pay-grade differentials (which requires that enterprises be given a free hand in setting the wage scales and the level of wages), or to centrally coordinate the wage matters and subordinate pay policy to the implementation of central annual plan goals.

If, in solving this dilemma, emphasis is laid on the prerogative of autonomous enterprises--in compliance with expectations aroused by the of Ministers' executive orders 135-83 and 186-82, and with aspiration of the autonomous, self-managing and self-financing enterprise--the consequences will be far-reaching.

Next to allowing the enterprises to elaborate their own wage scales, choose forms of remuneration, etc., it will become necessary to lift barriers imposed by the ceiling of maximum pay, to revoke the restricting provisions of the labor code and collective-bargain agreements, and to abandon the general job-evaluation principles and the general wage scales [ramowe tabele plac].

But it would be risky for the Center to eschew detailed supervision and coordination of wage problems in the current conditions of unnormalized economic situation. Wages create demand, and if not subjected to regulation they pose a threat to the monetary/consumer-market equilibrium as well as bringing about uncontrolled inflation.

Besides, without a coordination targeted at desired inter-sectoral wage pattern, the workforce fluctuation will intensify and it will become still

more difficult to ensure rational transfers of manpower, complying with higher socio-economic objectives and the requirements of national economic restructuring.

But these arguments hardly dispel doubts as to the chances of a general definition of correct inter-sectoral wage pattern in the current, much-diversified economic and financial conditions, and with the substantial average-wage differentials among sectors, branches and individual enterprises (leaving aside correction of economic relationships, tax relief, and increase in prices). It is also dubious whether uniform--or even sectorally diversified--principles of job evaluation can be applied in practice. The meaning of "complexity" and "hardness" is different in respect to different kinds of work. For these and other reasons, the central steering of wages encounters difficulties, and interference in enterprises' wage matters usually brings about adverse consequences.

The observance of the discipline of job-evaluation system is another matter, considering the numerous instances of enterprises violating the employment/wage discipline in the past period, despite the command-type methods of management. At present, with a drastic shortage of labor and substantial personnel fluctuation, there is no guarantee that an autonomous enterprise will consider itself obliged to follow externally-imposed principles if they do not suit its economic and organizational requirements. A uniform system of job evaluation simply does not fit in with the reformed system of management.

Therefore, there is an urgent need for a modified pay system, to be adjusted to the requirements of enterprise autonomy, self-management and self-financing, and to specific organizational, technological and production features of individual enterprises. In particular, the modified pay system should offer better encouragement than before for high-quality work, for harder and more complex work, and for the upgrading of one's qualifications, thus contributing to the attainment of a desired employment pattern (in occupational and educational breakdown).

These goals are supposed to be met with the help of wage experiments.

The Role of Experiments

But the experimental arrangements do not end with the search for optimal job evaluation, reflecting the quality of work and employee usefulness in the process of production, and as such warranting appropriate differentiation in wage rates. Another problem is one of remunerating the quantitative effects of work, which is connected with the measurement of work done. The quantification of work has always been the major problem in wage computation and, to tell the truth, there are no correct, absolutely objectivized and generally applied methods of measuring the quantity of work.

In today's unstabilized economic situation--with shortage of production supplies, labor scarcity and changing, steadily-verified production plans--the drawbacks of the existing formal criteria of assessment, based on approximate methods of work measurement, may only deteriorate still further.

For this reason, in looking for optimal forms of productivity-stimulating wages, the traditional methods of work measurement and remuneration will have to be abandoned.

The traditional system, aimed at stimulating high, individual productivity of labor has become anachronistic. First, the sum of individual effects of work is not always compatible with the global effect of collective work. The actual production and economic performance is not a simple function of the enterprise's manpower potential. It is always shaped by such factors as rational utilization of the available labor, smooth organization of production processes, capital-to-labor ratio, etc. Secondly, the stimulation of quantitative effects of work is usually accompanied by deteriorating quality of work. To tolerate these adverse developments would be inadmissible, especially now that the poor quality of production and wasteful consumption of raw materials and other means of production have the effect of further intensifying the pathological state of the economy and deepening the adverse economic results.

In this context, the collective piece-rate schemes [akord zbiorowy] become less objectionable. They promote teamwork and collective sense of responsibility, but on the other hand they involve too much arbitrariness and guesswork in measuring the effects of work.

Doomed to Compromise

One can expect that the search for new arrangements will focus on closer links between wages and the general production and economic performance of the enterprise. This view is supported by the necessity of merging--in new, radically-changed conditions--the personal interests with the collective interests, and of abandoning the quantitative, individual effects as the goal of incentives (in favor of collective effects, the quality of work done, economic consumption of raw materials intermediates, energy and fuels, and rational maintenance of plant and equipment).

These requirements and tendencies make one accept profit, the synthetic indicator of financial performance, as the principal, if not the only, source and condition of employee pay. The profit-pay linkage reflects a logical cause-effect relationship and an economically-warranted inter-dependence, stemming from the principle of [employee] co-participation in enterprise management and co-responsibility for enterprise performance. But it is only in proper conditions that wages can be firmly tied to profit--when objective economic laws work on their own, enforcing economic rules of the game. At present, a far-reaching dependence of pay upon profit would be too risky, deforming the inter-factory wage pattern.

As matters now stand, profit does not meet the condition of being an economically correct indicator of financial performance and a credible measure of economic efficiency--a result of incorrect price pattern and pricing arbitrariness (permitted by the monopolistic position of producers, absence of competition, market disruption, etc.). Besides, there is a high degree of differentiation in the level of capital equipment, production and organizational conditions, and financial and pay situation among enterprises, which results in unequal start and unequal opportunities for development.

And for socio-economic reasons, preferential treatment (in production supplies, credits, taxes, etc.) must be accorded some sectors, branches and individual enterprises as well as some lines of production and services, all of which violates the objective, autonomous "rules of the game."

Pending the normalization of the general economic situation and the setting in motion of properly-functioning economic mechanisms, piecemeal systemic solutions are inevitable in the sphere of profit-pay relationship. One example of stopgap arrangements are PPAZ contributions, imposed administratively in order to check the excessive increase in wage funds. Serving this end, (next to fiscal goals) is the progressive taxation of profit with income tax (to be changed into linear tax starting from 1984). Other examples of central, administrative regulation of wages include the parametrical formula linking tax-free increase in wage fund to production growth (with arbitrarily imposed adjusting coefficients [wskazniki korekty]), and the wide scope of discretionary powers in granting tax relief on account of export production or other preferred kinds of production.

Such arrangements not only run counter to the principle of 3 S's [standing in Polish for autonomy, self-management and self-financing] but are also questionable from the viewpoint of efficient motivation. Under these arrangements, concern for profit earning is a matter for management, while rank-and-file workers should rather focus on their own wages, determined by either their personal pay grades or by the fulfilment of work norms. Uncomparably lower interest is attracted by profit-financed bonuses and awards which usually account for a small proportion of overall pay and as such do not provide sufficient stimulus to improved quality of work and higher efficiency. This disintegration and incoherence of the motivational system has resulted in the well known adverse phenomena.

The proposed pay reform may be interpreted as an attempt at integrating the wage system. But contrary to its emphasis on increase in the fixed component of pay at the expense of its variable elements, it seems that the process of wage integration will take the opposite direction--towards greater share of profit-financed bonuses and awards in overall pay. This opinion seems to be supported by the greater capacity of profit as a source of financing and the greater freedom in spending the changeable profit, as compared with the inflexible principles of job grading system, immune to the quickly changing economic conditions and cost of living dynamics. The form of bonuses and awards is also better suited to business-cycle fluctuations, as against the irreversible consequences of pay-grade promotions,

placing a durable burden on wages. Acting in the same direction will be the relatively higher financial burden (higher payroll tax and social-insurance contributions) entailed by increase in cost-forming wages (which reduces the financial potential of the self-financing enterprise), and the passage from the progressive to the linear corporate-income tax, leaving higher disposable profit in high-profitability enterprises (as a result of which the efficiency-boosting measures will become more attractive, especially after the proposed elimination of PFAZ contributions on account of profit-financed bonuses and awards).

In step with the normalization of economic situation, there should be a gradual disappearance of the dilemma posed by conflicting remedies to the problem of wages:

- either to go by social justice and give priority to social requirements of the workers, or to opt for a dynamic economic expansion and disregard the growing standard-of-living gaps between occupational groups;
- either to remunerate work according to uniform, generally applied pay-grade criteria and work norms, or according to enterprises' financial/economic performance (in other words, should the level of wages be determined by individual effects of work or collective effects?);
- either to enforce the observance of wage discipline, in accordance with the binding principles and formal rules of pay-grade promotion, or to allow pay to become an important and convenient instrument used by enterprise management in controlling employment and stimulating higher efficiency;
- either to subordinate pay policy to macroeconomic goals and central plan targets (which means a more intense central wage regulation, coupled with the expansion of central-administration apparatus and various institutional forms, as well as the broadening of preventive, controlling and legislative measures), or to leave the employment and wages to the discretion of enterprises and to the operation of economic laws and mechanisms (thus accepting the risk of things getting out of control).

In this connection, a question arises: how far-reaching should be the interference of state bodies and the state's social protection over employees of defaulted enterprises?

While throwing away the extreme options as unrealistic, it can be expected that the experimental search for optimal pay principles will take the middle course. In the longer run, an evolution of the system can be expected, with the time factor acting in favor of solutions which promote more sophisticated rules of economic game and methods of economic behavior.

NATIONAL BANK CHIEF SURVEYS PERSONAL SAVINGS PATTERNS

Warsaw ZYCIE GOSPODARCZE in Polish No 42, 16 Oct 83 p 11

[Interview with Zdzislaw Pakula, National Bank of Poland deputy president; interviewer, date, place not given]

[Text] [Question] Mr. President, I presume you'd like to persuade people to save money, but I wonder if anyone can still afford saving money today. People barely make ends meet. If anything, they should be lent money to, rather than being made lend their money to the public sector; for this is how I see it--my money deposited in the PKO Savings Bank is nothing else than a form of crediting national economy, after all.

[Answer] I don't deny it's a hard time for people now that, as you put it, people barely make ends meet. Yet the belief underlying your question derives from what unfortunately is a wide-spread misunderstanding. The cursory view is that saving is a kind of luxury which only rich men can afford. But it is exactly the other way round. If anyone then precisely a rich person can afford the luxury of not saving at all, especially not his zloty, because he or she can locate his assets in various property items or in convertible currency.

[Question] The poor should save, but only provided there is no inflation and money deposited in a bank is not losing in value. In Poland it is, because interest rates lag far behind inflation rates.

[Answer] Nowhere in the world are interest rates exactly equal to inflation rates, the difference being the wider the higher the inflation rates. This means that on-demand savings deposits are given the lowest interest rates throughout the world. In other words, always--and especially under high inflation--this is the least rewarding form of saving money.

This is quite logical, because reducing the amount of money in circulation is one way of countering inflation. The same holds for Poland. Although interest rates on savings kept in what are called on-demand accounts were raised twice during the past three years--from 3 to 4 percent late in 1980, and from 4 to 6 percent early in 1982--interest is still distinctly below the inflation rate. Furthermore, you should realize that recent economic history has recorded cases of banks refusing to pay any interest on on-demand

deposits at all. The case of time deposits is different, as a banker's ideal in this case is to equalize interest with inflation rates. This ideal state of things can be achieved in countries where not only inflation is generally low but where its rate is more or less stable over long periods. Today you can count such countries on your fingers. Poland is not among them, and yet, in my view, interest on time deposits corresponds to the inflation rate. Late in 1980 we raised it from 6.3 to 8 percent, early in 1982 from 8 to 15 percent, or nearly 2.5-fold within three years. However, some economists argue it should be raised still further.

[Question] And right they are! In 1981, the 8 percent interest on time deposits was in some reasonable proportion to the inflation rate. But a year later, when prices rocketed by 100 percent, this became a blatantly low interest rate, which brought painful losses to savers.

[Answer] I suggest we reverse your argument to see how relative this "painful loss" really was. Somewhere during the 1970's inflation in the Netherlands reached 12 percent, banks fixed interest on time deposits at 7 percent arguing that nobody forces anyone to keep money at banks, but whoever prefers to keep it in a case at home loses 12 percent while he who entrusts his money to a bank loses only 5 percent. Since the Dutch are good in reckoning, this reasoning persuaded them. This argument is also valid in Poland. If you keep your money in a bank, you simply lose less during a crisis. You may ask, how much can you lose? Under present conditions a mere comparison of interest with inflation rates will not afford a complete picture. You must remember that--in connection with the price system reform--early last year the PKO carried out a revaluation of all private savings deposits kept in banks on January 31, 1982.

The revaluation rate was 20 percent, and, on top of this, revaluation coupons the PKO has been issuing and will continue to issue till the final date of December 31, 1983, also bear a 15 percent interest on them. Let us see what this implies for private savers. Suppose you opened a 10,000-zloty time deposit on January 31, 1982. Three years later you will cash 5,209 zloty as interest on your deposit plus 2,000 zloty for your revaluation coupon plus 1,042 zloty as interest on your coupon, which makes 8,251 zloty in all. So, within three years your principal kept in the bank will have increased by 82.1 percent, which shows the yearly average interest rate will be some 23 percent, or half more than normal interest on time deposits. This is what the revaluation has brought for private savers. For the PKO, the revaluation including interest on coupons means that some 160 billion zloty will have to be paid to the populace.

[Question] I wonder if this money will really be paid. The revaluation decision includes a clause by which coupons may start being cashed in February 1985, yet there have been more and more warnings from worried economists that if such a huge amount of money is thrown into the market the latter may be shaken. Hence the worry on the part of savers that their money in the bank may once again be suddenly frozen.

[Answer] I have heard these voices, I am aware of these worries, but the Government decision you have mentioned has been revoked by no one. Personally I am trying to keep calm. First, there are no grounds to fear that the entire 160 billion zloty will be promptly thrown into circulation. Why should it, in fact? People might as well withdraw equally big, if not bigger, sums from other savings accounts, which total in the PKO and in cooperative savings banks some 1,000 billion zloty. And yet people don't do this. On the contrary, they put in more than they withdraw. During the first nine months this year PKO savings accounts grew by 107.5 billion zloty. Naturally, part of the revaluation money is bound to feed the market. The PKO believes its task is to apply economic instruments such that would make this injection of money digestible for the market. Just how big this sum should be cannot be specified now, because no one can say for sure in what shape the market will be in a year-and-a-half's time from now.

[Question] Frankly speaking, prospects are anything but bright, are they?

[Answer] As PKO representative I wouldn't venture so unequivocal a statement. The inflation overhang distinctly tends to shrink, while the current inflation gap is narrower than it used to be.

[Question] By the way, as banker, what do you regard as the inflation overhang? While there seems to be less talk about it recently, a short time ago it was still a vague concept as well as a nightmare.

[Answer] Since inflation overhang simply cannot be determined very accurately, it's meaningless to scare people with it. At the PKO we class with the inflation overhang any excess private cash money over what is indispensable for "transaction money," which means money needed for current expenses. We estimate the inflation overhang accounts for more or less one-third of the population's total cash resources, that is, for some 240 billion zloty. In addition to this, we at the PKO class with the overhang part of deposits kept in ordinary and savings-clearance accounts as enforced savings. This is believed to amount to no more than 40 percent, that is, to some 120 billion zloty in the PKO and to some 30 billion zloty in cooperative savings banks. All this adds up to some 390 billion zloty. Let me point out to you that only half a year ago conservative overhang estimates put it at some 500 billion zloty. Its depletion, then, is distinct, and this gives grounds for optimism.

[Question] You have said savings deposits are growing, yet this tells us little. Just how were these deposits growing in recent years?

[Answer] Savings growth-rates were declining, from 34.5 percent in 1981 to 27 percent in 1982 to only 8 percent during the first nine months this year. Anticipating your question I can add savings deposits were also growing slower than private incomes. Whereas in 1981 still 6.97 zloty of every 100 zloty in income increment was deposited in a bank account, last year it was 4.43 zloty, and realistic plan estimates for this year provide for only 3.23 zloty. A correct rate should be between 5 and 6 zloty.

[Question] To complete the picture, tell us please how savings relate to private money resources (cash + savings). Have these been shrinking too?

[Answer] Not quite. This curve has been erratic in recent years. Assuming private money resources as 100, I can say savings accounted for 53.9 percent of them in 1975, for 46 percent in 1978, for 49.7 percent in 1979, for 32.6 percent in 1980, for 46.8 percent in 1981, and for 36.8 percent in 1982. This year's plan target is some 45 percent.

[Question] All these data, from the inflation overhang through to savings' share in private money resources, show at least two things for sure. First, the population had perceived the impending crisis and reacted to it earlier than the authorities, as envisaged in the rapid fall of savings' share in private money resources late in the 1970's, which, incidentally, proves that people do understand what is going on in the economy. Second, despite such or other signs of recovery in some sectors, the Polish people's pauperization is continuing. This is how I interpret the simultaneous decline in the overhang and private money resources and savings deposits, as well as the deterioration of mutual relations between these factors.

[Answer] What else can you expect in a crisis? What you are pointing out is happening is in fact just one of its social symptoms. If you look several years back you do indeed note this pauperization, but if you confine yourself to just the last two years you cannot fail to see its rate slowing down. I believe precisely this brief two-year period is not only more appropriate for analyses but also psychologically more desirable. As for your first claim, it is debatable. A changing relation between resources and savings deposits is not necessarily indicative of reactions to critical developments. The strongest sway was noted in 1981, when the nation-wide action of prepayment orders for cars was launched. So, you may be right in your conjecture, and you may not. By saying this I don't mean to deny that people are indeed very sensitive in reacting to the economy's vicissitudes. They are, everywhere.

[Question] Mr. President, since you yourself have mentioned the prepayment orders for cars, I am tempted to say, let's not speak loudly over this coffin.

[Answer] Why not, I should like to know? The PKO has nothing to be ashamed of. We announced accepting prepayments and I don't recall anyone being unhappy with this action. People voluntarily spent some 140 billion zloty, quite voluntarily accepting the "compulsion" to save and to freeze their money for several years at an interest rate which was indeed higher than ordinary on-demand savings deposits but lower than that on time deposits.

The nervous period of accepting the prepayments apart, the PKO can hardly be charged with any blame.

[Question] This sounds more like a self-righteous vindication. Formally, you are right, but not only did the people pay the money; the bank accepted the money for a definite purpose, thus taking not just an ordinary financial

but also a material obligation on itself. And now it is not keeping its obligation, which makes people complain against it.

[Answer] The bank did not launch this action on its own, because it does not produce cars. We opened as many accounts as many cars Poland's automotive industry then obliged itself to supply for the domestic market. Granted, the car producers are now supplying fewer cars, and although they are trying to fill some holes with car imports, technically they are guilty of not carrying out their obligation. But, this is so not because the car industry does not want to, but because it cannot. This is not the only industry to cope with difficulties, nor are this industry's troubles the most important ones in Poland. Output has fallen, deliveries too, but there is hope that the backlog of unrealized orders will gradually diminish, for output has been rising again. What can the bank, as a financial institution, do in this situation? We have decided to raise interest to 10 percent for those who will not receive their prepaid cars in the year they were assigned to [by drawing lots].

[Question] And yet, people are losing money, because car prices are going up, not down.

[Answer] But clients pay the price valid not in the year when they receive their cars but the price valid in the year they were assigned to; more precisely they pay the price valid on December 31 of the year of assignment. So, if somebody receives a car one year after deadline, then he gains rather than loses financially, because for this one-year delay he is paid not 6 but 10 percent in interest on his PKO account. I am perfectly aware that nobody would regard this money as an equivalent for his car, but this is not the function this money is to fulfill. The thing this money is to do is to furnish foolproof evidence that saving always pays off eventually.

[Question] Thank you for the interview.

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PAX VETERAN DEFENDS COMMAND-DIRECTIVE MODEL, SCORNS 'BAKA'S REFORM'

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Article by Aleksander Bochenski: "Aleksander Bochenski -- Pluses and Minuses of the Reform; editorial reply by SLOWO POWSZECHNE"

Text In reading the press of late I have seen the label "conservative" associated with my name. I smiled bitterly when I read this. Good God, I thought to myself, would that I had something to conserve! Seriously speaking, though, and speaking, as the title of this article suggests, of professor Baka's economic reform, it would be more accurate to say instead that I am a radical. This is because I would like to radically change the way in which the reform is being implemented and put in its place another reform model, one that is different from the three S's [self-reliance, self-management, and self-financing], even though it is by no means identical to the old system that prevailed here for several decades. I had always wanted to change this system, not conserve it. Similarly, there is nothing novel about my critical opinions regarding the present system of economic reform. It was easy to predict what was going to come of the unrealistic schemes of these learned economists, economists with seats on various advisory commissions. As early as 9 October 1981, that is, two years ago, I wrote in SLOWO POWSZECHNE that, "it might be best to speed it (the reform) up, since the faster we put it into practice, the sooner we will find the right path to take in developing our economy...."

"Aleksander Bochenski," so reports the 1982 new year's issue of ZYCIE GOSPODARCZE in reviewing another article I wrote, "goes pretty far with his across-the-board challenge of the underlying principles of the economic reform, principles which we are beginning to put into practice...."

Thus, my views on the way the economic reform is being implemented ought not to come as a surprise to anyone. And I should add right away that I do not intend to dispute some of the very important positive things that have been accomplished by the new management system. It is just that I think, first of all, that the negative aspects of this system cancel out its positive accomplishments and, secondly, that these positive things could and ought to have been accomplished in a completely different way.

Most importantly, let's briefly and concisely recapitulate some of the things that were wrong with our economy in the pre-reform days.

The principal flaw of the old system was its host of absurd rules and regulations which hindered, instead of encouraging, incentives for economic growth, that is, incentives geared toward promoting the production of abundant, cheap, efficient, and high-quality goods.

Take, for example, the well-known and widely condemned method used to calculate ceilings on construction enterprise wage funds, ceilings figured--in advance--as a percentage of the cost of materials used. All one had to do was find some more costly raw materials or plan on using more of them in order to enjoy more leeway in setting up a wage fund. Then there is the other side of the coin. An overly ambitious director who might decide to buy cheaper materials or use these materials in a less wasteful manner is going to wind up at the end of the month without enough money to meet his payroll.

A similar example would be the calculation of the fees to be paid to designers or architects as a percentage of the cost of the building which they are designing.

One more example would be the practice of calculating targets written into the national annual plan in tons, even in the case of products such as synthetic fibers, porcelain, or machine tools. The upshot of all these absurdities was such that all the rest of the world was waging a fierce and relentless battle to build and make things that were lighter and cheaper, while here we were fighting to build and make things that were heavier and more expensive.

These and numerous other rules and regulations were being issued and enforced by a pyramid-type economic management hierarchy, starting with the Planning Commission at the top and running on down to the industrial associations at the bottom of the pyramid. It should be added at this point that these echelons took advantage of their mandate to issue directives by cranking out a whole slew of meticulously worded injunctions which quite unnecessarily constrained the decisionmaking autonomy of enterprise directors. Things reached the point where a director could not tell one of his own employees to use some of the plant's own materials to go up and fix the gutter on one of the plant buildings without getting permission from the industrial association or in some cases even from a government minister. The end result of all these absurdities is well known to everybody, since it was reflected in the end in personal living standards, standards which are lower than those in other countries. But perhaps we do not fully realize the scope of the backwardness of our industrial manufacturing base. For example, take one of our key industrial branches, a branch without which no plant can continue to operate, i.e., the power industry. Measured on a per capita basis in 1950 the Soviet Union had 129 kilowatt hours more generating capacity than Poland. By 1960 this lead was extended to 370 kWh, and now the gap separating these two countries is on the order of 1,700 kWh per capita. Even Bulgaria--which we were ahead of by 400 kWh in 1960--now has us beat by 1,000 kWh per capita.

Over the course of the past several years I have pointed out these flaws so often that I doubt that anybody is likely to accuse me of being an apologist for the system which caused them.

With this brief, but necessary introduction out of the way, here is the point I really want to make. First, I want to make it clear that these flaws were indeed caused by the command-directive system, but it is not at all true that they were an inevitable consequence of this system. Second, I want to point out that the system of free competition which professor Baka and the Economic Advisory Council want to set up in place of the command-directive system is unrealistic and infeasible. As far back as July 1981 Ryszard J. Malinowski (not to be confused with the deputy premier of the same name) stated in *ZYCIE WARSZAWY* (no 190) that it was his belief that in order to set up a freely competitive economic system it would be necessary to make a capital outlay on the order of 10 billion dollars plus 2 trillion zlotys, and this at a time when we did not have enough capital to be able to afford even the most urgently needed overhauls and modernization projects. No one can say how close this estimate comes to being accurate, but everybody knows full well that what we are lacking when it comes to prerequisites for setting up a marketplace of competitive industries is: 1) capital, 2) manpower, and 3) incentives for the people who would be responsible for managing these competitive industries. I will leave aside for the time being the issue of the competitive process and return to my original argument. Namely, that it is indeed true that all of these absurd rules and regulations were caused by the command-directive system, but that it is not at all true that these rules and regulations are necessarily a consequence of this system. This is analogous to a ship running aground because the helm turned the rudder in a certain wrong direction, but it does not at all follow that you should therefore throw away the helm and rudder so as to avoid winding up high and dry on a sandbar. One can do a good job or a bad job of manning the helm of either a ship or a national economy.

This is borne out by the fact that in the highly industrialized countries there are many firms run by the rules of the command system which are most certainly just as large and just as complex as our industrial associations. And, notwithstanding this fact, their operations are productive, economical, and up to date. This has been attested to by professor Baka's closest colleague and deputy, namely, professor Zdzislaw Sadowski (not to be confused with the chairman of GUS), when he repeated an opinion voiced by an executive at one of the world's largest corporations--Shell Oil. It so happens that these two gentlemen had been talking about the very problem of the ability of managers who are used to the command-style system to run their businesses in an independent fashion. "In my firm," said the Shell executive, "management turnover is very high because it often happens that one of the members of the management team wants to go off and set up his own independent business. And you know what? They seldom succeed in these ventures. They are too used to the command system!"

In quoting this statement of opinion, professor Sadowski failed to realize that in so doing he was citing an argument that could be turned against him. This is because it is after all true that these same executives who couldn't

manage to run businesses of their own were the ones who built up an up-to-date, high-performance, and--in a word--growth-oriented business under the command-style system. In any event, no one is going to deny the growth-oriented character of the colossal Shell Oil corporation.

To recapitulate, professor Baka's reform has done the economy a big, big favor by revoking all (or almost all) of these absurd rules and regulations. But instead of restoring the command-directive system to health, primarily by way of replacing the "manual" control system with a computer controlled system, the authors of the economic reform wanted to set up a 19th-century free market system. Such a system is, first, unnecessary, and, second, unrealistic.

Editorial Reply

We would never go so far as to make the claim--and this is a point which we have made repeatedly and will go on making in this paper for as long as we have to in response to the dictates of economic realities--that the reforms which have been under way in Poland for almost 2 years now already constitute a comprehensive, integrated system free of legislative loopholes. Accordingly, we too have numerous reservations about the effectiveness of new economic mechanisms which are being put into place.

But this does not mean that we do not accept the premises which lie at the heart of the "Guidelines for Economic Reform" [as endorsed by the PZPR 9th Congress], the guidelines which constitute the intellectual yeast of the economic reform program. And it is on this point, first and foremost, that we take issue with Aleksander Bochenski who, to be sure, without questioning the legitimacy or even the necessity of carrying out economic reforms, implies with unusual persistence that the economic reform should be given a different thrust from the one it now has. While the author of the preceding article urges a return to a command-directive system which has been "restored to health" and the repudiation of a system calling for free competition, we for our part see the solution to our problem as lying in the consistent implementation of all of the underlying principles of the reform in conjunction with the perpetual modification of the economic control levers in place at any given moment and the fine-tuning of these levers so that they are responsive to the otherwise constantly changing internal and external conditions of the economic environment.

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OFFICIAL DEFENDS COMPULSORY JOB PLACEMENT

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[Interview with Ireneusz Sekula, director of the Ministry of the Labor, Wages, and Social Affairs' Employment Department, by Maria Bobinska: "The Controlled Labor Market"--date and place not given]

[Excerpts] [Question] I am of the opinion that the decree on compulsory job placement not only introduces a system that is incompatible with the spirit of the economic reform, but also restricts the freedom of the workers. In other words, my views clash considerably with the views your ministry represents. Could you, in the light of this, convince me of the fact that the ministry is right in doing this?

[Answer] If we were to imagine that compulsory job placement is the kind of system in which the clerk behind the desk sends the candidate to a specific factory for a specific job, then such a system really does deserve to be ridiculed as being a farcial and a senseless one. Whereas, compulsory job placement is really a collection of regulations for the employer. However, the part of the decree that concerns real people does work to their advantage. But let us start from the beginning. The compulsory job placement system consists of four parts, and only one of these really undermines plant independence.

The basic principle behind this is the fact that plants must report every work vacancy that arises, and must inform the ministry's Employment Department of its intention of firing or hiring a large number of workers.

[Bobinska] So, we now have two parts of the decree on compulsory job placement. What is the third?

[Sekula] The third part of this decree seems to undermine the independence of the plants, but let me stress, that it only seems to do this. Here, the restriction only concerns dishonest plants. I have in mind the duty that plants have to obtain our agreement to advertise in the mass media and in public places. The many controls that we were carried out by the Ministry of Labor, Wages, and Social Affairs, indicated that the plants we are talking of were wording their advertisements in a dishonest way. There is no point in mincing words, they simply lied. Aside from our duty

to protect the interests of the citizen, who should not be lead astray in such an important matter as employment, this form of advertising also causes yet another unfavorable phenomenon, that of labor fluctuation.

[Bobinska] How can this be prevented?

[Sekula] Media editors are not responsible for the contents of these advertisements, because they are not formal documents. This is why we have adopted the principle that the advertisement cannot contain even a word more than the notice that has been submitted to the Employment Department and signed by the director, because such a notice is a document and if it is proved to be false then the regulations make a provision for the appropriate measures to be taken.

[Bobinska] This unavoidably brings us to the most controversial matter. The Employment Departments in 15 voivodships first of all sends workers to plants that have been approved as priority plants. This restricts their freedom in a matter which is as important as their choice of a job.

[Sekula] We will approach this subject calmly. Hiring only those workers who have been sent to the plant or have been permitted to apply for the job in question makes one think that the person has been forced to take only the job that he has been sent to fill. However, as I have already mentioned, compulsory job placement concerns the employer. The citizen makes a free choice but only out of the 50 and not 100 possible jobs on offer.

[Bobinska] Some of the Ministry of Labor's representatives are openly saying that workers will not be sent to small-scale production plants, while small-scale producers are supposed to be increasing their production and the number of people they employ, especially in service industries.

[Sekula] The compulsory job placement scheme in 15 of our voivodships applies to absolutely every plant within them. There are no exceptions, but one can also find small-scale production plants among the priority plants in these voivodships. This is the responsibility of the voivodship's plans and the priorities of the local labor market.

[Bobinska] Since many plants will find it difficult to obtain permission to hire new workers, then they will be all the more willing to avoid reducing their work force, even their redundant workers...

[Sekula] Ah, it was the famous theory about "storing" people that was the cause of compulsory job placement. Plants will be storing people up as long as this will suit them. And they will profit from this as long as they can compensate for shorter working hours by having a larger work force. This is in general the result of their difficulties with cooperation, supplies, and bad work organization.

The phenomenon of keeping on redundant workers will continue until precisely these features of the economic battle are changed. However, if it appears that the plants deemed to be priority ones in a certain voivodship, according to the criteria of socio-economic production, are the most appealing with regard to wages as well as working and social conditions, then compulsory job placement will immediately be withdrawn from that voivodship on the grounds that it is unnecessary. If economic mechanisms will work in such a way as to allow people to work where they are needed in the first place then there will be no need to support the labor market with administrative measures.

[Bobinska] What are the economic mechanisms that could restore and improve the labor market?

[Sekula] This is a subject for separate discussion. We have put forward many economic proposals as well as ones intended to have long-term effects. They concern the Vocational Activation Fund, fiscal structures, and the bonus system, and so forth. They can be found in the package of draft laws that are designed to adjust the economic reform system. They will be the subject of a Sejm debate in the fall, and will put an end to many employment problems when they are adopted and implemented because employment is, after all, a function of the economy.

This is why the majority of the solutions stemming from the decree on compulsory job placement have a dual nature, whereas the key to the matter rests in the economy.

[Bobinska] This has completely convinced me.

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